This book celebrates Professor Pauli Kettunen on his sixtieth birthday. In Pauli Kettunen's scholarship as well as in this collection, history meets social sciences in a manner that render distinctions between the two unnecessary. This book challenges simplistic views to history as 'a background' or 'development', opening up sophisticated perspectives to many up-to-date debates on, for instance, nationalism and globalization or the Nordic welfare models.

UNIVERSITY OF HELSINKI

Multi-layered Historicity of the Present

HAGGRÉN, RAINIO-NIEMI, VAUHKONEN (EDS.)

Publications of the Department of Political and Economic Studies 8 (2013)
Political History

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Approaches to social science history

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TYÖVÄEN HISTORIAN JA PERINTEEN TUTKIMUKSEN SEURA –
Finnish Society for Labour History

VETURIMIESTEN LIITTO – Finnish Locomotivemen's Union

TO PAULI!

Pauli Kettunen began his academic career as a researcher of the history of the social democratic labour movement and especially of the trade union movement. After completion of a master's degree – he had not turned 21 at the time of graduation – he was recruited to a research collective which brought out a history of the Finnish labour movement in 1976. In the same year, Pauli published his own first book, on the history of the Finnish locomotive drivers' union. Pauli's work on labour history resulted in his doctoral dissertation (1986) which was regarded as a milestone for social science history in Finland. In the next decade Pauli's interests expanded to control policies and industrial relations more generally, leading to a massive monograph (1994) on labour protection and the social modes of thought and action in Finland in the late 19th and early 20th centuries. Since then, the themes of Pauli's work have widened both in scale and scope resulting in books, chapters and articles on globalization and nationalism, on the welfare state, conceptual history and the history of education in Finland.

Over the course of the years Pauli's interest in 'the social' and its relationship with 'the political' and 'the economic' has been long-lasting, gaining new nuances from decade to decade, from theme to theme. Questions on the formation and representation of collective interests are at the centre of Pauli's thinking whether examined through wage work and workers, construction of national interests, or welfare state. One of the pervasive themes of Pauli's *ouevre* is to the relationship of national, international and transnational to each other; and the asking of how historically-embedded conceptualisations, such as 'us', 'competitiveness' and 'society', have been used politically at various points of time. The use of 'the Nordic' as a wider frame of reference and source for models in the making of welfare policies has been especially present in Pauli's research.

In Pauli's work history meets social sciences in a manner that renders distinctions between the two unnecessary. Pauli's reflexive approach to the past and analyses on how the various layers of the past are always present or potent challenge simplistic views of history as 'a background' or 'development'. They open up sophisticated perspectives to many up-to-date debates on, for instance, nationalism and globalization or, as has been the case most recently, the Nordic welfare models.

Pauli's way of seeing history has transformed the ways of seeing within the political history discipline. Pauli has held the chair of political history at the

University of Helsinki since 2003 and in this role he has supervised numerous young researchers and created an inspiring research milieu. If anyone has been a keen advocate of the discipline of social science history (*yhteiskuntahistoria, Gesellschaftsgeschichte*) – combining the perspectives of the economic, social and political history – it is Pauli.

Since 2007, Pauli has acted as the leader of the Nordic Centre of Excellence NordWel (The Nordic Welfare state – Historical Foundations and Future Challenges). Through NordWel, many of the themes that have been central to Pauli's research for years have transformed into an inspiring research network and contacts that reach across the Nordic countries and way beyond to Central Europe, the United Kingdom, the United States, Australia and China. The various exchange, seminar and summer school activities within the NordWel scope have made Pauli travel frequently in recent years and greatly increased the international visibility of his own work – thematically and in regard to his distinctively multi-layered approach to history. Beyond that, NordWel has provided a platform for enormously rich and rewarding scope of scholarly exchanges, including generous mobility programmes, travel grants and publication opportunities for a great number of scholars at various stages of their careers. NordWel has provided particularly great opportunities for a large number of younger scholars. Among and through them Pauli's and NordWel's legacy will carry on for years to come, having already branched off in many different directions.

This book celebrates Pauli on his sixtieth birthday in May 2013. It gathers articles from colleagues in Finland and abroad, all discussing themes and questions that have been central to Pauli's research in the course of the past four decades. We would like to thank all the writers and others who have contributed to this book; and Paul Wilkinson for his proof-reading and Riikka Hyypiä for the graphic design. People and organizations who joined us in congratulating Pauli on the Tabula Gratulatoria made the book possible – thank you!

And to Pauli, our most cordial and heart-felt congratulations: onneksi olkoon, grattis, many happy returns!

Helsinki, May 2013

Heidi Haggrén, Johanna Rainio-Niemi and Jussi Vauhkonen

TOWARDS HISTORICAL SOCIAL SCIENCE
The making of Pauli Kettunen's dissertation Poliittinen liike ja sosiaalinen kollektiivisuus (1986)

SEPPO HENTILÄ

Pauli Kettunen's dissertation[1] will remain the foundation work of historical social science in Finland. This was clearly concluded by the opponents, Professors Raimo Blom and Jorma Kalela, in the public defence of Kettunen's doctoral thesis on 14 March 1987 at the University of Helsinki.

> *'No other work had been published in Finland before in which the relationship between history and social sciences would have been theorized so brightly. [...]The avalanche of documents, original research material and literature is slashing ... [but] at the same time Kettunen makes theoretically constructed and theoretically generalized historical research of high-quality.'*[2]

> *'So far no other presentation has been published in Finland before in which the relationship between historical research and social sciences had been thematized in theoretical standards as articulately as in this work.'*[3]

Kettunen's visionary approach has been proved by the fact that his dissertation has been studied during the last 25 years by following generations of students as one of the most excellent examples of theoretically oriented historical research. This is undoubtedly the most important and longest lasting issue of the dissertation. In this article I will review Pauli Kettunen's learning years as an eyewitness, having belonged during the 1970s to the same group of

1 Kettunen, Pauli (1986) ***Poliittinen liike ja sosiaalinen kollektiivisuus. Tutkimus sosialidemokratiasta ja ammattiyhdistysliikkeestä Suomessa 1918–1930.*** [Political movement and social collectivity. On social democracy and trade union movement in Finland 1918–1930.] Historiallisia tutkimuksia 138, Suomen historiallinen seura: Helsinki 1986. – In continuation references to the dissertation will be as follows: (p. page number).

2 Opponent's statement to the Faculty of Social Sciences on 23 March 1987 (Raimo Blom). – Opponent's, pre-examiner's and examiner's statements are available in the Faculty of Social Sciences at the University of Helsinki.

3 Opponent's statement to the Faculty of Social Sciences on 23 March 1987 (Jorma Kalela).

younger researchers of political history at the University of Helsinki. Being a few years older than Pauli I was also one of his first academic teachers.

Why did Pauli Kettunen (born in 1953) matriculate to the Faculty of Social Sciences in the beginning of the autumn term 1971? I am not even aware of his motivation for choosing political history as his main subject. At that time students were accepted to the Faculty and were not compelled to commit themselves immediately to a certain main subject. If I am right Kettunen started originally to study sociology which he kept then as the largest minor in his Master's and Licentiate's exams. This gives me a reason to assume that originally Kettunen wanted to become a social scientist. Like many other students at that time he 'landed' to political history by chance.

Between history and social sciences

The chair of Political history was founded in 1947 in the Faculty of Social Sciences which was started two years earlier. The aim was to train competent civil servants for administration. Political history was understood as a 'natural supplement to political science', supporting it by possessing a useful knowledge on contemporary history. Since 1952 the chair of political history was held by Lauri Puntila. One of his leading ideas was to bring historical research to serve as practical policy. He wanted to train his elite students to become competent leaders for Finland. As an influential person, Puntila succeeded to recruit a considerable number of postgraduates to his team. Most of them came from the History Department of the Faculty of Arts. Their dissertation topics were thematically contemporary political history but methodologically their work did not differ from so-called conventional history.

Regardless of the substantial growth of the number of students during the 1960s, the position of political history turned more and more troublesome in the Faculty. As a result of growing research visits of Finnish social scientists to renowned North American universities new ideals of Western social sciences were transferred to Finland. Scientific research should be based on theories, models and quantitative techniques and social sciences should be as 'pure', 'systematic' and 'exact' as natural sciences. This paradigm offered absolutely no room or use to history. In this situation political history needed – no more, no less – a strategy for survival.

In 1967 Lauri Hyvämäki edited a Festschrift in honour of Professor Puntila's 60th birthday titled *Oman ajan historia ja politiikan tutkimus*[4] [Contemporary

4 Otava: Helsinki 1967.

history and political science]. Since Puntila had been elected as a Member of Parliament in 1966 Hyvämäki was substituting him as acting professor. Hyvämäki defended the position of contemporary history by sound arguments of bridge building policy and emphasized the possibilities for cooperation, especially in the empirical research of the Finnish society. Neither the title of the book nor the selection of authors was arbitrary. In addition to Puntila's former doctoral students, four distinguished social scientists, sociologists Erik Allardt and Paavo Seppänen and political scientists Pertti Pesonen and Onni Rantala, contributed to the Festschrift.

Since the mid-1960s initiatives for the substantial reformation of the teaching and research of political history were put forward by Osmo Apunen and Jorma Kalela. They were Puntila's first doctoral students who had started their studies in the Faculty of Social Sciences. According to them, the renewal of political history would succeed only by determined cooperation with social sciences. In his methodological textbook, published in 1972, Kalela crystallized how it would happen in practice: ' … tools for reasoning should be borrowed from other social sciences'[5]. This was naturally a rough generalization, but still it hits the point. Kalela's proposal is very much reminiscent to the model which was used by West German historians Hans Ulrich Wehler and Jürgen Kocka when they designed the foundations to the so-called historical social science (*Gesellschaftsgeschichte*) as an answer to the crisis of traditional German historicism. Despite certain similarities, it should be recalled that Kalela did not make any use of the German example.

During the autumn term 1971 Jussi Turtola and I, Seppo Hentilä, working as assistants at the Department of Political history, took initiatives for the improvement of doctoral training at the Department. The postgraduate seminar was divided thematically into subgroups. Actually only one of them was working actively for several years: the Research Group in the labour movement's history (in continuation: RG). In addition to Turtola and Hentilä, at least half a dozen other postgraduates were preparing a dissertation on labour movement's history.[6] At the same time another half a dozen students had chosen the labour movement as their thesis topic in the master's seminar. Some of these students, among them Pauli Kettunen, joined the RG in 1972–1973. He was writing his Master's thesis on the Social Democrats and the dissolution of the Finnish Trade Union in 1929. I am not aware why a fresh

5 Kalela, Jorma (1972) *Historian tutkimusprosessi*. Gaudeamus: Helsinki (citation from the back cover text of the book).

6 In the 1970s the research objective was expressly called labour **movement's** (accentuation, S. H.) history, and only in the 1980s the topic as well as its definition changed to labour history.

student from Eastern Finland Savo, the son of a small entrepreneur and a school teacher, chose a topic like this which did not seem to have much in common with his growth milieu. Anyway he finished his thesis[7] in 1974 and was awarded the highest possible grade, *laudatur*. It was at that time, and still is, granted to only a few per cent of graduates from the Faculty of Social Sciences. It was self evident that Kettunen continued his studies in order to doctorate and to work as a professional historian. However, it was not possible for him to start his dissertation project immediately after the graduation. The first full-time subsistence was offered to Kettunen in 1974 by Finland's Engine Drivers' Union which commissioned him to write the history of the engine drivers' trade union movement through one hundred years. Kettunen completed the work (388 pp.)[8] in two years. It was an impressive performance from a historian at the age of only 23. Kettunen's work belongs undoubtedly even today to the top of Finnish trade union research. The text and the documentation were carefully finished to the last detail. Kettunen did not want to give any chance to those who would criticize his work from the perspective of conventional history.

The increasing popularity of the labour movement's history was based, also in Finland, on the rise of the leftist students' movement during the latter half of the 1960s. Along with the students' movement grew also the interest in Marxism as a social theory. Most of the members of the RG were left-wing Social Democrats but nowhere near were all of them party-politically committed. However, for the activities of the RG it was essential to establish contacts with the Social Democratic Adult Education Union [*Työväen Sivistysliitto*, TSL]. The TSL offered not only formal political backing but supported the RG and its members with travel allowances and by financing meetings and seminars. Additionally through the TSL useful contacts with many leading persons of the labour movement were established. These contacts resulted later, e.g. in several commissioned works to the members of the RG on the history of Finnish labour organizations.

Incomparably, the most important common achievement of the members of the RG was the book *Suomen työväenliikkeen historia* (445 pp)[9] [History of the Labour Movement in Finland], an overview to the history of Finland's

7 Kettunen, Pauli (1974) ***Sosialidemokraatit ja Suomen Ammattijärjestön hajoaminen vuonna 1929*** (available in the Library of the Faculty of Social Sciences).

8 Kettunen, Pauli (1976) ***Anoen, taistellen, neuvotellen – Veturimiesten ammattiyhdistystoiminnan kehitys vuoteen 1976*** [Entreating, Fighting, Neogotiating – the Devolopment of the Engine Drivers' Trade Union until 1976]. Suomen Veturimiesten Liitto ry: Helsinki.

9 Haataja, Lauri, Hentilä, Seppo, Kalela, Jorma & Turtola, Jussi (eds) ***Suomen työväenliikkeen historia***. Työväen Sivistysliitto: Joensuu 1976 (3rd edition 1978).

labour movement. The book was published in 1976 by the TSL and edited by Lauri Haataja, Seppo Hentilä, Jorma Kalela and Jussi Turtola. Additionally to them, the other authors of the book were Eino Ketola, Pauli Kettunen, Heikki Laavola, Päivö Puhakainen and Tero Tuomisto. The RG presented itself as a collective author of ten persons. It was told, however, that each author had written on his speciality but which part of the book this speciality was, was not revealed. Because this kind of collective authorship was used in the Soviet Union and other Socialist countries the conduct of the RG looked suspicious.

The aim of *Suomen työväenliikkeen historia* was to challenge traditional presentations of labour history which operated by ideas and events. Instead of that, a 'total' interpretation about the history of Finland's labour movement should be offered. Based on rough Marxist-oriented theory on the crisis of capitalism, the editors divided the socio-economic development in Finland into certain periods into which they inserted the real historical processes. The book was criticized harshly from almost every imaginable angle. Maybe the most important outcome of *Suomen työväenliikkeen historia* might be the self-criticism which some members of the RG, including Pauli Kettunen, practiced later.

Kettunen delivered a manuscript for the book on the development of the Finnish labour movement during the 1920s. He knew this period best on the basis of his fresh master's thesis on the trade union movement. Furthermore he made valuable comments to the whole manuscript. In the preface of the book the editors express their gratitude especially to Kettunen for his contribution. It was just in those innumerable meetings in which the manuscript was discussed when Kettunen proved his extraordinary qualification.

The academic environment of the 1970s in which Pauli Kettunen studied and trained himself to become a professional scholar was full of tensions and breaches. The position of political history in the Faculty was questioned by social sciences. The renewal process of political history brought new contradictions into the discipline itself. Would it be possible to use the theories of social sciences in historical research? Would it be allowed to use Marxist-oriented methodology in academic research? The constellation of the debates concerning the position of political history in the beginning of the 1970s can be summarized as follows:

(Political) History vs. Social Sciences
History vs. Theory
Contemporary History vs. 'Conventional History'
'Conventional History' vs. Marxist History

Since 1972, Pauli Kettunen was one of the most active representatives of the students' association in the renewal work of the exam requirements. He was also thoroughly informed of the debates on the position of political history. In the first volume of the students' journal *Poleemi* (1–1975), Kettunen published a review article on the development of political history as 'science and discipline'. Together with his fellow student Kimmo Turunen he presented, in February 1976, a memorandum at a seminar for examination reform in political history. Soon after that Kettunen and Turunen published, on the basis of their memorandum, a review article in *Historiallinen Aikakauskirja*.[10] The authors described the renewal process of political history since the mid-1960s as a 'search for a living space'. They concluded that from about 1972 certain signs of clearing up the identity crisis of political history could be observed. International contacts had been established and, due to several new research projects which had been started in 1972, research activities had become much livelier.

International contacts

Since the beginning of the 1970s, the members of the RG who worked at the University, Haataja, Hentilä, Kalela and Turtola, resolutely sought international contacts. At that time, Finnish historians did not have very many of them. If research visits abroad were made, in most cases the aim was to acquire archival material for one's own research work. So, as a matter of fact, the young scholars of the RG stood at that time at the forefront of the incipient internationalization of Finnish historians. It was important to the Group to establish contacts with the international top of labour historians and to search new methodological impulses. The aim was also to attain more effective tools for facing the challenges which were related to the disputed situation of political history.

In the first half of the 1970s three important fora opened to the RG for international contacts:

1. Seminars with the Departments of History and Nordic Research of the University in Greifswald (G.D.R.)
2. Nordic seminars on labour movement's history

10 Kettunen, Pauli & Turunen, Kimmo (1976) 'Elintilan etsintää: näkökohtia poliittisen historian historiasta Suomessa'. In *Historiallinen Aikakauskirja*, Vol. 2, pp. 240–250.

3. Participation to the International Conferences of Labour and Social historians, organized annually in Linz, Austria.

The seminar exchange between the Department of Political history in Helsinki and the aforementioned Departments in Greifswald was initiated in 1972. Four years later the cooperation was accepted to the official agreement on cultural cooperation between Finland and the G.D.R. The cooperation resulted in twelve history seminars and lasted until 1990. In the G.D.R. research on Finnish history, society and language was concentrated to Greifswald. However, in the long run, also historians and social scientists from other East German and Finnish universities contributed to the seminars. The exchange with the University of Greifswald offered an interesting lookout spot for the Finnish participants to observe the East German science world.

The first Nordic seminar on the labour movement's history was organized at the initiative of the Finnish RG in April 1974 at the Helsinki University Biological research centre in Lammi. Most of the participants from Finland and the other Nordic countries were young historians. Interest in labour history united them in general but their methodological approaches varied from conventional history to strict Marxism. The members of the RG were active in the Nordic labour history cooperation to the 1980s. Except for some breaks, these seminars were organized until only a few years ago.

Since 1964 the labour history conferences in Linz offered one of the very few opportunities for historians and social scientist from the East and West to meet each other. Notwithstanding some political incendiaries, the standard of the seminars was high. The Finnish participants were able to benefit from the neutral position of their country and move flexibly, e.g. between East and West Germans who were all the time moping suspiciously around each other. Now and then one or another curious German colleague came and tried to find out by interrogating the Finns what the "other" Germans had been talking about. Perhaps the best profit from Linz to the novices from Finland in their first international conferences was making acquaintances with renowned labour and social historians like Wolfgang Abendroth, Helga Grebing, Eric J. Hobsbawm, Jürgen Kocka, Klaus Tenfelde and others. These contacts were by no means limited to so-called name dropping; in the following years all the aforementioned scholars visited Helsinki, and vice versa; some members of the RG were even able to hold guest lectures at their universities.

Since his graduation in 1974 Pauli Kettunen belonged to the core of the RG. He presented his first international conference paper in the first Nordic labour history seminar in Lammi on 26 April 1974. He reviewed in his

paper the research situation on the labour movement's history in Finland.[11] Next year, in May 1975, Kettunen participated in his first G.D.R. seminar in Greifswald, in which he presented an elaborated version of his review on the research situation in the labour movement's history in Finland.[12] The same year, in September 1975, six members of the RG participated with a collective paper[13] to the international Labour history conference in Linz. The theme of the conference was the people's front politics in the 1930s. Later, during the 1970s, Kettunen presented several corporate papers at the G.D.R. seminars, especially with Jussi Turtola. The sincere aim of them was to test their Marxist-oriented methodological approach and interpretations on labour history by international experts. Most of the papers were dealing with organizational forms or functional preconditions of the labour movement from the viewpoint of Social Democracy or trade unions.

At least at those conferences where I was present, the response to Kettunen's and Turtola's presentations was certainly not as rewarding as they had expected. However, in international conferences it often happens that the most interesting talks are taking place in small groups during the free time. This was the case in Linz as well as in Greifswald. To avoid misunderstandings, Pauli Kettunen did not adopt his Marxist-oriented theoretical learning from Greifswald or Linz. As regards to the colleagues in the G.D.R., from their part the communication had to be held in a given framework which was ruled by the strict postulates of Marxism-Leninism. It was practically impossible for them to deviate from these postulates. Therefore their readiness or in some cases even capacity to open theoretical debate was limited. More important to Kettunen, too, were personal contacts which he established in Linz, especially to the so-called Marburg school. The figurehead of this group of younger scholars was the renowned Marxist political scientist Wolfgang Abendroth. Kettunen and some other members of the RG upheld vivid contacts with Abendroth's younger colleagues Georg Fülberth, Frank Deppe and Reinhard Kühnl. This

11 Kettunen, Pauli (1974) 'Forskningsläget i Finland'. In Hentilä, Seppo & Saarinen, Hannes (eds) *Forskningsläget inom arbetarrörelsens historia i Norden. Material från det första nordiska seminariet för forskningen rörande arbetarrörelsens historia, hållet i Helsingfors och Lammi 25–28 april 1974*. Helsingin yliopiston Poliittisen historian laitoksen julkaisuja 2/1974, pp. 93–106.

12 Kettunen, Pauli (1975) 'Die Forschung der Geschichte der finnischen Arbeiterbewegung'. In *Nordeuropa-Studien. Wissenschaftliche Zeitschrift der Ernst-Moritz-Arndt-Universität Greifswald*. Sonderheft 1/1975. Materialien des dritten gemeinsamen Seminars der Sektionen Nordeuropawissenschaften und Geschichtswissenschaft der Ernst-Moritz-Arndt-Universität Greifswald und des Instituts für Politische Geschichte der Universität Helsinki. Greifswald 1975, pp. 38–57.

13 Haataja, Lauri, Hentilä Seppo, Kalela Jorma, Kettunen Pauli, Saarinen, Hannes & Turtola, Jussi (1978) 'Die finnische Volksfrontpolitik und ihre Aktionsvoraussetzungen in den 30er Jahren'. In *Internationale Tagung der Historiker der Arbeiterbewegung. XI. Linzer Konferenz 1975*. Wien 1978, pp. 139–151.

group of sociologists and political scientists was one of the most important Marxist-oriented scholarly communities in West Germany. The publications of the Marburg colleagues were dealing with problems like Marxism and trade unions, class consciousness of the workers and theories on fascism.[14]

Probably the longest lasting profit from the international conferences, also for Kettunen, was the preparation work of the papers, connected with the intensive reading of theoretical texts and other literature, to say nothing of the laborious finishing of texts in German, which was the *lingua franca* of Marxist-oriented historians and social scientists during the 1970s.[15] This was undoubtedly a very important learning process for Kettunen. The problems he was dealing with in the seminar papers reflect the development of his theoretical learning through the years. On Kettunen's website there is a link to a complete list of his scholarly publications by 1990, in which we can find eleven articles, based on conference papers presented in the G.D.R. seminars, at Linz conferences or in the Nordic labour history seminars.[16] Six of these conference papers has Kettunen also listed in the bibliography of his dissertation (see pp. 518–519).

Political movement and social collectivity

Since 1976 Pauli Kettunen was provided with full-time funding by the post of research assistant at the Academy of Finland. This assignment was prolonged until 1981 and followed by a researcher posts in two projects of the Academy until 1987 when Kettunen's dissertation was finished.[17] During the 1970s it was obligatory to the postgraduate students to take the licentiate's exam which included a thesis. Kettunen's licentiate thesis on Social Democracy and the Labour Union movement in Finland, 1918–1930,[18] was finished in 1979. The subtitle of the study, 'Social Democracy as "Carrier" of Workers' Social

14 We can find several references to the publications of the Marburg colleagues in Kettunen's dissertation; see eg. pp. 45, 47, 93–94, 101–102.

15 Therefore it is not by chance that Kettunen enclosed a German 'Zusemmanfassung' to his dissertation.

16 Kettunen, Pauli: Complete list of scholarly pulications <http://blogs.helsinki.fi/ptkettun/files/2005/05/kettunen_publ.pdf> [accessed on 29 Oct 2012].

17 Also in continuation, from 1987 to 2000, Kettunen was employed by the Finnish Academy as project researcher, research fellow as well as project leader. Since 2000 he is professor of Political history at the University of Helsinki.

18 Kettunen, Pauli (1979) *Sosiaalidemokratia ja ammattiyhdistysliike Suomessa 1918–1930. Tutkimus suomalaisesta sosialidemokratiasta työväestön sosiaalisen kollektiivisuuden kantajana*. Unpublished Licentiate Thesis in political history. University of Helsinki (523 pp.).

Collectivity', crystallized the methodological approach which Kettunen was elaborating further for his dissertation.

The licentiate thesis was often meant to be a preliminary study for the doctoral dissertation and the results of theoretical as well as empirical work should be accumulated in the dissertation. This was also Kettunen's aim and the procedure which he followed. In his statement to the Faculty of Social Sciences, the examiner of the thesis, Hannu Soikkanen, acknowledged the excellent credit of Kettunen's work: '... the endeavour to a total interpretation and a successful and rich empirical analysis unite exceptionally" in the thesis.[19] The other examiner, Jorma Kalela, finished his statement with a surprising proposal which was meant to accentuate the extraordinary merits of Kettunen's work: '... the study undoubtedly fulfils the requirements, decreed to a *doctoral dissertation*' (accentuation, S. H.).[20] According to Kalela, the research work was definitively finished: it was not possible to improve it any more. Therefore he advised Kettunen to choose a new research topic. As we can see Kettunen did not abide by the advice of his supervisor.

In the first phase of his work, during the 1970s, the most important scholarly community to Kettunen was the so-called West German University Marxism. There were several groupings and tendencies which could be counted to this school. However, it was common to them all that they were searching for 'original Marx'. Marxism should be cleaned from different theoretical layers which had been attached to it during the later decades. 'Original' or 'genuine' Marx could be found in the capital logic, which was the form of Marx's critic of political economy. (pp. 33–36)

Kettunen defined his key concept, Social Collectivity, on the basis of Marx's economy critic, in which the form of wage labour as a mercantile is a form of capitalist subordination and the condition for adding surplus value to the capital. According to Kettunen, the indispensible condition for the organising of the labour movement was that the immediate needs of the wage workers and their interests could be collectively experienced and articulated by the workers. Therefore Kettunen definitively disclaimed the efforts of some West German Marxists who tried to explain the formation of the state by returning it to the capital logic. (p. 40) This so-called *Staatsableitung* debate, and especially the contribution of the strictest representatives of the West German school of

19 Examiner's statement to the Faculty of Social Sciences on 30 October 1979 (Hannu Soikkanen).

20 Examiner's statement to the Faculty of Social Sciences on 11 December 1979 (Jorma Kalela).

capital logic, was followed and debated also by some other Marxist-oriented social scientists in Finland.[21]

The way how Kettunen constructed his research problem and method can be described as the systematic exclusion of incorrect or inadequate theoretical approaches and historical interpretations. This exclusion was based on an exhaustive critic of previous literature. As mentioned above, Kettunen was actively involved with the research project of the RG, which resulted in 1976 in the book on the history of the labour movement in Finland *(Suomen työväenliikkeen historia)*. I dare to claim that the participation to intensive debates in the book manuscript was the most beneficial part of Kettunen's postgraduate training. Therefore, it is not surprising that a thorough critic on the book was one of the cornerstones when Kettunen started to construct his methodology. The genuine aim of the RG had been to present an alternative interpretation to the traditional way of writing history which limits itself on the description of events and ideas and explains the course of history by the motives of contemporaries. In the new 'total' interpretation the history of capitalist society and the history of the labour movement should be united, and politics and ideology should be returned to class interests which originated in the economy.

In his critic, Kettunen stated that the exaggeration of the economic factors was by no means the most serious failure of the interpretation in *Suomen työväenliikkeen historia*. More problematic was that economy, politics and ideology were taken as isolated categories, and the relations between them were researched without discussing the historical character of the differences between them. The approach was reductionist. It returned the phenomena of 'superstructure' (politics, ideology) to 'basis' (economy). While the history of events operates inside politics and ideology, historical materialism searches causal relations between these categories by explaining politics with economy. The main problem of this approach was, according to Kettunen, that it is not able to reach the history of 'happening and making' in which time is measured by clock and calendar. However, Kettunen acknowledges that the way how the 'total' interpretation of *Suomen työväenliikkeen historia* had been achieved – by neglecting the decisions and motives of living people – was one of the most important challenges when he started to construct his own methodological approach. (pp. 27–28)

21 See especially the dissertation by Hänninen, Sakari (1981) ***Aika, paikka, politiikka. Marxilaisen valtioteorian konstituutiosta ja metodista***. Oulu: Tutkijaliiton julkaisusarja n:o 17.

It is interesting to note how Kettunen defines his position to historical conceptualisation although he presents it *en passant* in a footnote. According to him, it is possible to describe conceptualisation as a series of stepwise deepening questions: to describe WHAT is a question of a chronicle; to describe HOW is a question of Rankean historiography; to explain WHY is a question of research which is searching for external causal relationships. According to Kettunen, the *explanandum* and the *explanans* should be faded out and the analysis should be made to reach the multi-layered and non-linear character of history behind them. Then it is possible to formulate the question to explain HOW.(p. 31, footnote 18; accentuations, S. H.)

Kettunen's aim in his dissertation was to clarify how **political** and **social collectivity** are united as constitutive prerequisites of the labour movement. (p. 43) The relationship of workers' social collectivity and the political nature of the labour movement is crystallised in the organisation forms of the movement. Therefore, the organisation should stay in the focus of the study. The view from inside the movement makes it possible to take the subjectivity of the movement into account. Kettunen admits that this approach would restrict possibilities to observe the everyday life and experiences of the 'carriers' of the movement. Also the main sources of the study were the files of the central organisations of the labour movement. However, an important part of the source material was correspondence between the central organisations and the active members of the local associations. (p. 45)

Breakthrough of reformism

The development of the labour movement in Finland after the Civil War 1918 – as in many other European countries just during and after the First World War – has been described as breakthrough of reformism. Hannu Soikkanen had asked in his article in 1967 'Why didn't revisionism find support in Finland's 'old' [before 1918 – S.H.] labour movement?'[22] On the other hand, why had reformism broken through in the Swedish labour movement already before 1914, as Seppo Hentilä had asked in his dissertation, published in 1979?[23] Kettunen takes these two observations of earlier research as his starting point.

22 Soikkanen, Hannu (1967) 'Miksi revisionismi ei saanut kannatusta Suomen vanhassa työväenliikkeessä?' In Hyvämäki, Lauri (ed.) *Oman ajan historia ja politiikan tutkimus*. Otava: Helsinki, pp. 183–199.

23 Hentilä, Seppo (1979) *Den svenska arbetarklassen och reformismens genombrott inom SAP före 1914. Arbetarklassens ställning, strategi och ideologi*. Historiallisia tutkimuksia n:o 111: Helsinki; <https://helda.helsinki.fi/handle/10138/28228>

Soikkanen and Hentilä, although approaching the problem of reformism from different angles, gave, as a matter of fact, parallel answers to the problem. In the comparison between the organisations of Finnish and Swedish labour movements, a considerable difference became evident: nowhere near as in Sweden had the labour movement in Finland risen from the immediate collective experience of wage labour. This important perception was clearly justified by the fact that the political labour movement in Finland was much stronger than the trade union movement, and when the Social Democrats lost their lead in the trade unions to the Left Socialists and Communists they were able to keep their majority in parliamentary and municipal elections throughout the 1920s. (p. 47)

In his dissertation Hentilä had tried to give an empiric explanation to the early breakthrough of reformism in the Swedish labour movement by falling back to the dominance of so-called labour aristocracy in the trade unions which were as collective members of the Social Democratic Labour Party the absolute core of the whole movement. The concept of labour aristocracy dates back to Lenin's theory on imperialism and Engels' writings on the situation of the English working class. References to labour aristocracy can be found in literature quite often, e.g. in some texts by Eric J. Hobsbawm. Without taking any position to the theory of labour aristocracy as such, Kettunen points out that in this approach one's attention is drawn to the organisation of the trade union movement as a possible basis of reformism. (pp. 10–11)

Firstly, one could ask, whether reformism was the natural mainstream in the development of the labour movement or was it a deviation from the original revolutionary destination. Secondly, the phrase 'breakthrough of reformism' implied that there might have been a revolutionary phase in the development of the labour movement before reformism. But had this kind of phase existed in the Swedish or Finnish labour movement or was the constellation just imagined or theoretical? At least in the historiography on the Swedish labour movement, the interpretation has quite often been such that the movement has actually never been revolutionary. (p. 25)

In his dissertation Kettunen definitively disclaimed such a uni-levelled and linear contemporary history, which tries to explain the past with the present by taking as its starting point processes which it has first separated from the present. On the other hand, historical research should not be contented to break false generalisations and myths. It should search relationships between continuity and change as well as the general and specific. (pp. 17–18)

The contribution of Kettunen's dissertation both to the history of the labour movement and to Finnish historical research in general, is by no means

restricted only to the theoretical strength of the study. More valuable is that Kettunen also succeeded to implement his methodology to practical research. His narrative is not ruled, as conventionally, by a chain of events but by the relationship between political and social collectivity as constitutive prerequisites of the labour movement. The structure of the dissertation corresponds to Kettunen's theoretical approach and the results of the research are crystallized in the formulation of the subheadings of the chapters.[24] Findings from real history serve as arguments and Kettunen's narrative is based on them.

No historian before Kettunen had researched the development of the Finnish labour movement from 1918 to 1930 as thoroughly as he did. His empiric study on original source material, contemporary newspapers and literature is, as a work presentation just incomparable. The text has been finished off carefully to the finest detail. Kettunen's documentation is exemplary and his references are informative. In his footnotes Kettunen conducts debates on interpretations of earlier research which could have been situated to the text as well. Many of his footnotes are as such independent miniature studies.

Between historical social science and history of everyday life

Pauli Kettunen's aim to develop his methodology to something which could be defined as 'historical social science' was recognized already by the examiners of his licentiate thesis, Jorma Kalela and Hannu Soikkanen, in 1979. According to Kalela, the way how Kettunen conceptualized historical processes referred to a new scientific discipline, 'historical social science'. At least in Finland there were no previous examples of applying this kind of methodology to practical research.[25]

The term 'historical social science' (*historiallinen yhteiskuntatiede*) was in Finland since the mid-1970s, quite often connected to the so-called Bielefeld School of younger historians in West Germany who called their methodological approach '*Historische Sozialwissenschaft*' or '*Gesellschaftsgeschichte*'. As regards concept of 'social science history' (*yhteiskuntahistoria*), it was used in 1978 more or less as *terminus technicus* in the examination reform of the Faculty of Social Sciences to name the combination of two historical disciplines, Political history and Economic and social history. As these two disciplines were

24 The subheadings of the dissertation are as follows: Tendencies of workers' social collectivity (4); Organizational relationship of Social Democracy to workers' social collectivity (5); Social Democracy and State (6); Social Democratic Labour Union movement (7).

25 Examiner's statement to the Faculty of Social Sciences on 11 December 1979 (Jorma Kalela).

united in 1995 to a common Department, the name of the new institution became the Department of Social Science History.[26]

In Kettunen's dissertation we can find only a couple of mentions of the concept 'historical social science' (*historiallinen yhteiskuntatiede*). The term 'social science history' (*yhteiskuntahistoria*) does not appear even once. It is an important thing to note that Kettunen does not construct his methodology on the basis of conceptual history but on the profound critic of different approaches of historical research. He argues for his own methodology by systematic closing out the approaches which are insufficient to his use. When Kettunen once or twice describes his methodology as historical social science, he will prevent misunderstandings by pointing out: 'The aim is not to attach the approach of this research to the concept of historical social science (Historische Sozialwissenschaft) which uses theories of social sciences as e.g. modernization theories to prove historical entities, structures and causal relations, advocated by the West German historians Hans-Ulrich Wehler and Jürgen Kocka.' (p. 17, footnote 39)

Every reader of Kettunen's dissertation has certainly perceived that the appropriation of the author's argumentation is an exceptional hard piece of work. It is not only because of the thorough theoretical conceptualization but also of the avalanche of empirical arguments which make the reading most challenging. Even the examiners of Kettunen's thesis, Soikkanen and Kalela, complained about the problems with the language, although from different angles. Professor Soikkanen confessed that some parts of Kettunen's licentiate thesis were downright incomprehensible to him. Kettunen's aim to develop history to a social science brought him further and further from the standard language and his text became more and more abstruse. According to Soikkanen the better Kettunen's new concepts helped to specify, the more clarity and legibility suffered. 'If we continue longer in this direction there is a risk that historiography loses its readers.'[27]

In his pre-examiners statement, Kalela pointed out that Kettunen's dissertation manuscript consisted of 747 pages, but there was not a single chapter in it which could be described as 'soft' or 'loose' text. 'The dissertation is heavy reading'.[28] However, Kettunen's language is grammatically perfect

26 This was not only a formal organisational reform. During the following years social science history was developed in teaching and research cooperation in the new Department. Since 2000 Pauli Kettunen has been as Professor of political history one of the strongest advocators of the cooperation in social science history.

27 Examiner's statement to the Faculty of Social Sciences on 30 October 1979 (Hannu Soikkanen).

28 Pre-examiner's statement to the Faculty of Social Sciences on 6 October 1987 (Jorma Kalela).

and his narrative is fluent. An ingenious saying from Savo in Eastern Finland, where Kettunen was born, comes to mind: 'When someone from Savo opens his mouth the responsibility will be moved immediately to the listener.' Of Kettunen's critics, Kalela was one of the few who were ready to take the responsibility. According to Kalela, the main problem in Kettunen's presentation was rooted to the fact that 'European man' is used to understand history as a chain of events following each other and located into a certain time dimension in a chronological order.[29] Therefore we have to consider, what kind of preconditions we should put to the conceptualization of real historical processes, in order to be able to fill the requirement of attaching our presentation to the historical consciousness of our own contemporaries. Kalela admits, however, that Kettunen does not even claim that his work is 'normal' historical study, but instead its aim is to be historical social science. Still, he doubts if social scientists would possess sufficient basic knowledge of Finnish history to be able to follow Kettunen's argumentation.[30]

In his pre-examiner's statement on Kettunen's dissertation in 1986, Kalela was wondering, how reasoned it had been to work out an ensemble which was based on a performance, enough to produce several dissertations of high quality at the same time: 'Seven years ago I presented to the Faculty of Social Sciences my statement on Kettunen's licentiate thesis which was dealing with the same thematic and was almost identically structured as this thesis.' Why on earth had Kettunen continued to elaborate on the research work which had been completely finished already in 1979? However, Kalela was ready to acknowledge that compared to the licentiate thesis, the theoretical as well as the empirical analysis especially concerning the contents of the political had been significantly enlarged and deepened.[31]

More important than those seven years as such are the new trends which had become predominant in the theoretical debates on historical research since the so-called linguistic turn in the second half of the 1970s. Kettunen is ready to admit that debates on the so-called new history movement did not influence his theoretical premises. When he had started to construct the methodological approach of his dissertation in the mid-1970s, the triangle **Conventional history – Social sciences – Marxism** had been standing in the focus of the theoretical discussion**.** (p. 17). Although history from below

29 Kalela, Jorma (1987) 'Historiallisen prosessin käsitteellistäminen ja historiallinen aika'. *Historiallinen Aikakauskirja* Vol 2, p. 119.

30 Ibid. pp. 126–127.

31 Pre-examiner's statement to the Faculty of Social Sciences on 6 October 1987 (Jorma Kalela).

had accentuated the subjectivity of people as makers of their own history it would be, according to Kettunen, clumsy eclecticisms to try to construct the 'Method' for the research of the labour movement's history by uniting Marx' critic of political economy and history of everyday life. (p. 32)

Kalela is clearly discontented with Kettunen's way to face the challenges of the postmodernist critic on historical research. This is easy to understand because Kalela was at the time of the completion of Kettunen's dissertation one of the leading advocates of the history movement in Finland. In his project on the history of the Finnish Paper Mill Workers' Union, Kalela had organized several history workshops and study circles in which union members were writing their own. He also published theoretical articles on memory research.[32] Kalela refers to the topical cultural debate of the 1980s in which one of the main arguments was that the historical modernity which had taken shape in the eighteenth century Enlightenment was dissolving. This debate has not been Kettunen's starting point. However, Kettunen had delivered by his dissertation a brilliant contribution to the need of defining the special characteristics of political history as a historical discipline.[33] Towards the end of the 1980s the discussion on the nature of historical research had turned to a new angle.

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32 See e. g. Kalela, Jorma (1984) 'Minnesforskning, oral history och historierörelsen'. In *Sociologisk Forskning* vol 3–4.

33 Kalela 1987, p.119.

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THE NORDIC AND GENDERING DIMENSIONS OF LABOUR HISTORY IN FINLAND

PIRJO MARKKOLA

The Finnish Society for Labour History[1] was established in January 1984. The aim of the society was to provide a joint forum for both professional and non-professional labour historians, and to promote research on the history, theory and culture of the working class, the labour movement and working life. Another goal of the society was to promote an interest in labour history among the Finnish working class. The first seminars organised by the society attracted not only academic scholars but also trade union activists and factory workers who were involved in study circles (history workshops) and were thus themselves doing 'history from below'. During its first years, the society brought together labour history scholars from several universities, in particular the Universities of Tampere and Helsinki. One of the young social science historians from the University of Helsinki was Pauli Kettunen, whom the first chair of the society, Professor Olli Vehviläinen, remembers as having been particularly keen on developing theoretical discussions about labour history.[2] Many of Kettunen's contributions to the first publications of the society dealt with the ongoing historiographical and theoretical discussions that reflected various approaches in labour history.[3] In 1993 Pauli Kettunen followed Olli Vehviläinen as chair and led the society until 1998.

1 The Finnish title is *Työväen historian ja perinteen tutkimuksen seura*. Originally, the English translation was the Finnish Society for Labour History and Cultural Traditions, but later the Society's website assumed the shorter version of the name in English. http://www.helsinki.fi/jarj/thpts/intro.html (accessed 20 January 2013).

2 Vehviläinen, Olli (2004) 'Työväen historian ja perinteen tutkimuksen seura 20 vuotta'. *Työväentutkimus* 2004. Available http://www.thpts.fi/mika-thpts/tyovaen-historian-ja-perinteen-tutkimuksen-seura-20-vuotta/ (accessed 1 December 2012); Vehviläinen, Olli (1985) 'Alkusanat'. In Jaakkola, Jouko & Vehviläinen, Olli (eds), *Työväen historiaa ja perinnettä. Väki voimakas I*. Tampere: Työväen historian ja perinteen tutkimuksen seura.

3 On labour history in Finland, see Kettunen, Pauli (1985) 'Työväen historian tutkimus Suomessa'. In Jaakkola, Jouko & Vehviläinen, Olli (eds), *Työväen historiaa ja perinnettä. Väki voimakas I*. Tampere: Työväen historian ja perinteen tutkimuksen seura, 9–22; On the historiography of trade unions, see Kettunen, Pauli (1987) 'Ammattiyhdistysliikkeen historiallinen ja kriittinen tutkimus – onko sillä edellytyksiä?'. In Hyrkkänen, Markku, Vehviläinen, Olli & Hannikainen, Juha (eds), *Näkökulmia työväen ammatilliseen ja paikalliseen historiaan. Väki voimakas 3*. Tampere: Työväen historian ja perinteen tutkimuksen seura, 9–22.

Another explicit ambition of the society was to promote international, especially Nordic, co-operation in labour history. In addition to *Väki voimakas*, a publication series in Finnish, the society launched *Papers on Labour History*, with volumes in English, German and the Scandinavian languages. Pauli Kettunen's contribution has been significant in the international outreach of the society. *Det nordiska i den nordiska arbetarrörelsen,* the first volume of *Papers on Labour History*, was edited by him in 1986, only two years after the foundation of the society and soon after the first collection of essays was published in Finnish. Among the first six volumes there were four publications in Swedish, three of which were edited by Kettunen. In addition to *Det nordiska*, he edited the volume *Arbete och nordisk samhällsmodell* together with Tapio Rissanen in 1995 and the volume *Lokalt och internationellt. Dimensioner i den nordiska arbetarrörelsen och arbetarkultur* in 2002. The publications of the Finnish Society for Labour History in themselves indicate that since the 1980s Pauli Kettunen has been concerned with Nordic comparisons, Nordic co-operation and the conceptualization of 'Nordic' as a transnational concept. He has made a patent contribution to connecting the Finnish and the Nordic historiography, in particular in the field of labour history, and he has discussed Finland in its Nordic context.

My aim in this essay is to present one of Pauli Kettunen's scholarly environments, the Finnish Society for Labour History, from two particular perspectives. The first perspective is the Nordic dimension, which was developed by Kettunen already in the 1980s. Finnish historians, including scholars in the field of labour history, have traditionally had close Nordic contacts. The oldest institution is the Nordic History Conference, *Nordiskt Historikermöte*, which has been held ever since 1905; moreover, several specialized conferences and inter-Nordic research projects have served as common arenas for knowledge exchange and comparisons.[4] The second perspective discussed here is related to gender issues, which clearly gained ground in Finnish labour history during Kettunen's term as the chair of the society in the 1990s. In the 1970s and 1980s, Finnish research in labour history had sought inspiration not only from German labour historians but also from British Marxist historians. The latter, in particular, struggled with 'the unhappy marriage of Marxism and Feminism', as the well-known British feminist scholar Heidi Hartmann has

4 On research on Nordic co-operation, see Haggrén, Heidi, Hemstad, Ruth & Marjanen, Jani (eds) (2005) *Civilsamhällets Norden. Papers presenterade på ett seminarium om nordiskt samarbete i januari 2004*. Helsinki: CENS; Stenius, Henrik & Götz, Norbert, *Forskning om det nordiska samarbetet: Bokslut och framtidsperspektiv*. http://www.helsinki.fi/cens/pdf/ns_PMnordisktsamarbete.pdf (accessed 1 February 2013).

aptly put it.[5] Therefore, my second focus is on gender and labour, i.e. the ways in which the relationship between gender history or feminist history and labour history was addressed in the publications of the Finnish Society for Labour History. A parallel discussion on the Nordic dimensions of Finnish labour history and the gender perspective in Finnish labour history is also motivated by the fact that Nordic women's history conferences have been regularly organised since 1983.

Labour history goes Nordic

The Nordic dimension has been important for labour history in Finland. In addition to the Nordic History Conferences, specialized conferences on labour history have been arranged since the 1970s. After the first Nordic Conference for Labour History, held in 1974 in Finland, labour historians met approximately every second year in the different Nordic countries; in 1983 the conference was back in Finland, and the Finnish Society for Labour History published the conference report as the first volume of *Papers on Labour History*. Pauli Kettunen edited the volume and wrote a short preface, although his own contribution to the conference was not among the presentations published in the volume.[6] In the Preface, he pointed out that the Nordic conferences, in the same way as the national Finnish conferences, were open to both academic and non-academic historians interested in different aspects of labour history. The themes of the fifth Nordic conference in 1983 were ostensibly divided between the Labour movement and the welfare state in the Nordic countries on the one hand, and the working-class movement and cultural traditions in the Arctic Region on the other. However, according to Kettunen, the concept 'Nordic' was the common denominator, and he asked what 'Nordic' meant in the Nordic working-class movement.[7]

The Nordic conferences dealing with the labour movement and working life seemed to be close to the publication profile of the Finnish Society for Labour History. While the second volume of *Papers on Labour History* concentrated

5 Hartmann, Heidi (1979) 'The Unhappy Marriage of Marxism and Feminism: Towards a More Progressive Union'. *Capital & Class*, Vol. 8, Issue 3, 1–33.

6 Kettunen, Pauli (ed.) (1986) *Det nordiska i den nordiska arbetarrörelsen. Femte nordiska konferensen för forskning i arbetarrörelsens historia, Tammerfors, den 23–27 augusti 1983. Papers presented at the Fifth Nordic Conference for Labour History. Papers on Labour History I*. Tampere: Finnish Society for Labour History and Cultural Traditions.

7 Kettunen, Pauli (1986a) 'Preface'. In Kettunen 1986.

on the collapse of the Second International and was published in German, the third volume returned to the Nordic context. It consisted of the conference report from the 1989 Third Nordic Conference on Working-Class Culture, with 'Everyday Life, Consciousness and Class' as its main theme. These conferences were initiated in the 1980s and the first meeting was held in Copenhagen in 1983; they brought together Nordic scholars in particular from the fields of ethnology, folklore and the history of the working-class.[8] Thus, one aspect of the multidimensional profiles of the society was reflected in the first international publications, too. In addition to connecting professional and non-professional labour historians, the society aimed to bridge research done by historians, ethnologists, folklorists and other scholars of working-class culture.

In 1995 the society served as a publication forum for the Fourth Nordic Conference on the History of Industrial Relations. Pauli Kettunen was both a co-editor of the collection and one of the authors. The major theme of the conference was 'The Nordic Model', and the papers were organised into three thematic sections: the Nordic model of industrial relations, the history of the Nordic welfare state and the changing meanings of work.[9] The Nordic Conferences on the History of Industrial Relations were also initiated in the 1980s: the first conference took place in Kungälv in Sweden in 1985. The 1980s were in many ways a period during which new Nordic platforms for labour history and other so-called new histories were established.[10] Kettunen's own contribution, which discussed wage labour and Nordic democracy in Finland, was a good example of his endeavour to set Finnish labour relations in the Nordic context.[11]

In September 1999, the Tenth Nordic Conference for Labour History was organised in Turku in Finland, and the Finnish Society for Labour History, one of the organisers, was again willing to provide a publication forum for the

8 Jokela, Paavo (ed.) (1988) *Der Zusammenbruch der Zweiten Internationale. Konferenzvorträge, Tampere, 23.–24. November 1985. Papers on Labour History II*. Tampere: Finnish Society for Labour History and Cultural Traditions; Båsk, Katia, Metsänkylä, Antti & Koskiranta, Katarina (eds) (1991) *Arbetarklassen i samhällets vardag. The Working Class in the Everyday Life of Society. Tredje nordiska arbetarkulturseminariet i Tammerfors, Finland 4.–6. september 1989. Papers on Labour History III*. Tampere: Finnish Society for Labour History and Cultural Traditions.

9 Kettunen, Pauli & Rissanen, Tapio (eds) (1995) *Arbete och nordisk samhällsmodell. Texter från den fjärde nordiska konferensen för historisk arbetslivsforskning, Helsingfors och Kiljava den 16–19 september 1993. Papers on Labour History IV*. Tampere: Finnish Society for Labour History and Cultural Traditions.

10 The concept 'new histories' refers to labour history, oral history and women's history, among others. In the 1980s several new Nordic networks were created.

11 Kettunen, Pauli (1995) 'Lönarbetet och den nordiska demokratin i Finland'. In Kettunen & Rissanen 1995.

revised papers presented at the conference.[12] The theme of the conference, 'Local and International – Dimensions in the Nordic Labour Movement', was reflected in the introduction written by Pauli Kettunen. He justified the choice of the theme by problematizing the nation state as a given unit of historical analysis and stated that local and global perspectives in the labour movement and in the history of working-class culture provided fruitful tools for questioning the predominance of the national perspective in labour history and historical research in general. The labour movement was an international movement, but it was, according to Kettunen, anchored in locally structured daily practices, national organisations and national cultures which formed structures that gave the movement a particular direction and reciprocally were themselves influenced by the movement. Furthermore, Kettunen suggested that the on-going scholarly discussions concerning the concepts 'global', 'local' and 'national' could provide fruitful perspectives on the history of the labour movement and working-class culture. While labour history might traditionally have understood 'local', 'national' and 'international' as referring to different organisational levels, in the light of new theoretical discussions Kettunen would rather conceptualise them as different aspects of one and the same agency.[13] Local and global perspectives challenged Nordic labour historians to problematize not only the local and international dimensions of labour history but also the national as a primary way of understanding labour organisations and working-class cultures.

In his problematization of the concept 'Nordic' after the 1980s, Pauli Kettunen was clearly moving towards transnational conceptualisations. In 1986, he asked what the Nordic meant in the Nordic labour movement. In 2002, when he discussed the local and international aspects of Nordic labour history, he interpreted *Norden* (the Nordic Countries) as an international and transnational (inter- och övernationell) context in which the national institutions, identities and popular movements were shaped in the five Nordic countries.[14] In none of these volumes, published by the Finnish Society for Labour History, did Kettunen take the concept 'Nordic' for granted; rather, 'What is Nordic?' has remained one of the key questions in his scholarly work.

12 Kettunen, Pauli (ed.) (2002) Lokalt och internationellt. Dimensioner i den nordiska arbetarrörelsen och arbetarkulturen. Papers on Labour History VI. Tammerfors: Sällskapet för forskning i arbetarhistoria i Finland.

13 Kettunen, Pauli (2002a) 'Inledning'. In Kettunen 2002, 7–8.

14 Kettunen 2002a, 9.

Gendering labour history

In the 1980s, women and gender remained invisible as scholarly topics in the labour history publications issued by the Finnish Society for Labour History. Women were present in the society, and they contributed to the first volumes, but the ways in which they problematized women's issues or integrated gender perspectives in their analyses remained rather cautious. Among the ten essays published in the first volume of *Väki voimakas*, only one was written by a female scholar, Marja Järvelä, who discussed changes in life style as challenges in workers' communities.[15] In the course of her essay she demonstrated the ways in which women's and men's experiences of work and family differed in a changing society and the ways in which women and men encountered new challenges in industrial communities. Järvelä was very clear that women's road from working on small farms to industrial labour differed from that taken by men.[16] In my reading, Järvelä did not explicate gender as an analytical category, nor did she raise the question of gender as such, but gender difference was an explicit starting point in her biographical approach.

While Marja Järvelä was a social scientist who carried out research on current changes in industrial communities, some other contributions in the first volume were written by social historians who were interested in the history of the daily life of the working classes. Jouko Jaakkola and Heikki Näreikkö, in particular, mentioned several gender-related matters and in doing so showed that in the 1980s Finnish labour historians did not take it for granted that the so-called 'ordinary worker' was a man. Jaakkola presented women's history as one of the new approaches in social history; furthermore, he drew attention to some aspects of agency among female factory workers, female servants, married working-class men and female paupers, among others. Näreikkö, for his part, used estate inventories of working-class widows to illustrate the character of typical working-class homes.[17] Women were present in the social history of everyday life, but the gender perspective was not developed as a systematic approach.

15 Järvelä, Marja (1985) 'Elämäntavan muutos työläisyhteisön ja yksilöiden kehityshaasteena'. In Jaakkola, Jouko & Vehviläinen, Olli (eds), *Työväen historiaa ja perinnettä. Väki voimakas I*. Tampere: Työväen historian ja perinteen tutkimuksen seura, 119–145.

16 Järvelä 1985, 121.

17 Jaakkola, Jouko (985) 'Työläisten arkipäivän ongelmat Tampereella teollistumisen alkuvaiheessa'. In Jaakkola, Jouko & Vehviläinen, Olli (eds), *Työväen historiaa ja perinnettä. Väki voimakas I*. Tampere: Työväen historian ja perinteen tutkimuksen seura, 71–88; Näreikkö, Heikki (1985) 'Tampereen työväestön aineellinen elintaso vuosina 1850–1910'. In Jaakkola, Jouko & Vehviläinen, Olli (eds), *Työväen historiaa ja perinnettä. Väki voimakas I*. Tampere: Työväen historian ja perinteen tutkimuksen seura, 89–106.

The presence of women was acknowledged quite commonly by Finnish labour historians in connection with poverty, homes and housing or industrial labour. However, initially the works published by the Finnish Society for Labour History did not treat the history of politics, the labour movement and trade unions, or other similar subjects, as gendered. This bias is obvious in the third volume, which concentrated on the history of trade unions and workers' organization at the local level. Most contributions concerning the labour movement ignored the gender perspective and did not reflect women's and men's differing positions on the labour market; Tenho Takalo's contribution, however, was an exception. His article on the textile industry in the 1940s paid attention to the disparity between women's and men's wages, which was partly due to the fact that the textile industry did not follow the same model as most branches of industry during the post-WWII era.[18]

The gender-blind or gender-neutral tendency continued in the fourth volume of *Väki voimakas*, which concentrated on the impact of the Russian Revolution in Finland. Most of the authors were men, and the concepts they applied were not particularly gender-sensitive. Women authors entered the scene in the section where working-class people and the labour movement were discussed in the context of the situation after the Finnish Civil War of 1918. Ulla-Maija Peltonen's contribution on memory culture, Tarja Hautamäki's text about workers' music and Mervi Kaarninen's chapter on 'Red orphans' brought to the fore the impact of the Russian Revolution and the ensuing social processes that took place in Finland.[19] In general, neither the volume on the history of trade unions nor the volume on war and revolution suggested that Finnish labour historians considered gender to be a crucial question to ask or a relevant category of analysis. However, numerous female scholars, including even some of those who contributed to these gender-neutral volumes, raised questions in other arenas about women's and men's participation in the labour movement and the significance of gender difference in the local

18 Takalo, Tenho (1987) 'Kutomateollisuuden murros 1940-luvun lopulla'. In Hyrkkänen, Markku, Vehviläinen, Olli & Hannikainen, Juha (eds), *Näkökulmia työväen ammatilliseen ja paikalliseen historiaan. Väki voimakas 3*. Tampere: Työväen historian ja perinteen tutkimuksen seura, 81–118, especially 89–92.

19 Peltonen, Ulla-Maija (1990) 'Virkavalta ja muistitieto – punaisten elämäkerralliset muistelmat vuodesta 1918', Hautamäki, Tarja (1990) 'Keskusjohtoinen työväenmusiikki – työväen torvisoittokunnat', Kaarninen, Mervi (1990) 'Punaorpojen huolto – köyhäinapua ja kasvatusta'. In Hannikainen, Juha, Hyrkkänen, Markku & Vehviläinen, Olli (eds) *Suomi 1917. Väki voimakas 4*. Tampere: Työväen historian ja perinteen tutkimuksen seura.

context.[20] Thus if we look at one only forum of historical discussion, we can easily draw misleading conclusions about the whole field of research. Rather, the single publication series reflects the preferences of the board members and other active members of the society at a given point.

The 1990s was in many ways the period during which women's history and gender history became established in Finnish historiography. While in the 1980s only a couple of pioneers conducted research on the history of women, there was nevertheless an evident upsurge in enthusiasm for women's history among Finnish PhD students, and in the 1990s the first whole generation of women's historians published their doctoral dissertations.[21] Thus, it is no wonder that in this decade, during Pauli Kettunen's reign (1993–1998), an increasing number of historians focusing on women and gender both attended the seminars organised by the Finnish Society for Labour History and contributed to its publications. In 1994, the seventh volume of Väki voimakas, edited by Raimo Parikka, contained three articles on women and women's work. Anne Ollila, who had recently defended her doctoral dissertation on the history of Martta organisation (a Finnish home economics organisation), submitted two articles on rural women, and Maria Lähteenmäki, who was finalising her dissertation on the Social Democratic women's movement, wrote about working mothers. In the following volume, published in 1996 and edited by Pauli Kettunen, Raimo Parikka and Anu Suoranta, two articles focused on the history of working-class women: one discussed working-class women's participation in religious organisations and the other studied the ways in which working-class women were presented in films.[22]

Since the 1990s, two trends in women's history and gender history have become evident in the publications of the society. On the one hand, articles explicitly dealing with women and gender have been published regularly, but

20 For example, the collection of essays Tuntematon työläisnainen, edited by Leena Laine and Pirjo Markkola (1989) included Marjaana Valkonen's essay on women in trade unions and Mervi Kaarninen's essay on the education of working-class girls. In 1989 Ulla-Maija Peltonen published her highly interesting study *Naisia turvasäilössä. Poliittisena naisvankina Suomessa 1930–1944*.

21 In the first half of the 1990s, Alexandra Ramsay, Anne Ollila, Vuokko Lepistö, Pirjo Markkola, Maritta Pohls, Arja-Liisa Räisänen, Maria Lähteenmäki, Mervi Kaarninen and Marianne Liljeström were among those students of women's history who defended their doctoral dissertations. Markkola, Pirjo (2003) 'Suomalaisen naishistorian vuosikymmenet'. *Historiallinen Aikakauskirja*, Vol 101, Issue 1, 56–57.

22 Ollila, Anne (1994) 'Maalaisnaisen työn muuttuminen' (59–65) and 'Emäntä' (335–350). In Parikka, Raimo (ed.) *Työ ja työttömyys, Väki voimakas 7*. Tampere: Työväen historian ja perinteen tutkimuksen seura; Lähteenmäki, Maria (1994) 'Ansioäidit arvossaan'. In Parikka 1994; Markkola, Pirjo (1996) 'Työväenhistoria taivastielle. Työläisnaiset ja kristilliset yhdistykset'. In Kettunen, Pauli, Parikka, Raimo & Suoranta, Anu (eds) *Äänekäs kansa, Väki voimakas 8*. Tampere: Työväen historian ja perinteen tutkimuksen seura; Katainen, Elina, Salmi-Niklander, Kirsti, Suoranta, Anu & Vuori-Mattila, Liisa (1996) 'Vaarallisia ja tempoilevia naisia', in the same volume.

on the other hand, articles dealing with gendered or gendering subjects have not necessarily indicated this explicitly in their titles. The history of working-class women and the gender perspective in labour history was launched in the 1990s; however, it was not until 2011 that the first volume focusing openly on the gendering nature of industrial relations was published.[23] Nevertheless, compared to the first publications, in which women and men were discussed without any explicit reference to feminist theory or the conceptualisation of gender, the later research on labour history is characterized by either a more overt treatment of gender or a tendency to hide distinctions between women and men between the lines in a new, more complicated way.

Concluding remarks

The Finnish Society for Labour History is a child of its era. In the 1980s, when it was founded, it reflected several radical tendencies in historical research. First, it wanted to bring together professional and non-professional historians under the same organisation, in the same conferences and in the same publications. The history workshop movement was keenly followed by Finnish labour historians, and Jorma Kalela's research project in which factory workers were involved in writing their own history in study circles was prominent in the seminars organised by the society. Non-professional historians were even provided with a publication forum in the first volumes of the publication series Väki voimakas.[24] However, another trend, which required labour historians to be better aware of the theoretical approaches of their work, was also present in the society, and Pauli Kettunen's contributions in the volumes of Väki voimakas sought to introduce new ways of conceptualisation in the historians' craft.

The third tendency in Finnish labour history was its attempt to establish better and deeper international contacts and to communicate beyond national borders. Participation in the ITH conferences[25] became common practice in the

23 Hytönen, Kirsi-Maria & Koskinen-Koivisto, Eerika (eds) (2011) *Työtä tekee mies, nainen. Väki voimakas 24*. Tampere: Työväen historian ja perinteen tutkimuksen seura.

24 E.g. Korkeamäki, Esko (1987) 'Harrastajatutkijan kokemuksia työväen paikallishistorian tutkimuksesta', Anttila, Anja (1987), 'Tervakosken paperiteollisuusyhdyskunnan kehitys', Kultanen, Kyösti (1987), Elämänmuodon muutokset Imatran Niskalammin ja rantakasarmien asuntoalueilla 1896–1986'. In Hyrkkänen, Markku, Vehviläinen, Olli & Hannikainen, Juha (eds) *Näkökulmia työväen ammatilliseen ja paikalliseen historiaan. Väki voimakas 3*. Tampere: Työväen historian ja perinteen tutkimuksen seura.

25 The International Conference of Labour and Social History was originally established in 1964 under the title *Internationale Tagung der Historiker der Arbeiterbewegung*. The current German name of the conference is *Internationale Tagung der HistorikerInnen der Arbeiter- und andere sozialer Bewegungen*, which reflects the new challenges in labour history.

1980s among the members of the society. Another aspect of internationalisation consisted in the regular organization of Nordic Conferences in Labour History, the History of Industrial Relations and Working-Class Culture, and other similar meetings. This was again an arena where Pauli Kettunen was active and to which his contribution was crucial.

Attempts to find interdisciplinary approaches and to cross the borders between the social sciences and the humanities and research on the past and the present constituted the fourth new trend in Finnish labour history. Women's history and gender history are part of these interdisciplinary tendencies in labour history, but the aims of the discipline are not limited to the gender perspective. The history of the present, often emphasised by Pauli Kettunen, is another aspect of this attempt to dispel the past-present dichotomy which fails to explicate the multi-layered historicity of contemporary societies.

In the field of labour history, Pauli Kettunen developed a constant interest in the concept 'Nordic'. His role in giving shape to the international publication series *Papers on Labour History* and giving it a strong Nordic orientation was significant. Thus it is no wonder that Kettunen's scholarly interests have led him to engage deeply in Nordic and international co-operation; in this his directorship of the Nordic Centre of Excellence: The Nordic Welfare State – Historical Foundations and Future Challenges appears as a logical step in his academic profile, as logical as his current Sino-Nordic projects dealing with the history of welfare. The question 'What is Nordic about the Nordic welfare state?' is highly relevant in the discussions held with Chinese social scientists, who are keen to learn more about the Nordic understandings of welfare policies.

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PAULI KETTUNEN, HISTORY, AND SOCIOLOGY

RISTO ALAPURO

Pauli Kettunen, in an interesting fashion, straddles the border between history and historically oriented sociology. My argument is that during his career he has approached sociology, due both to a reorientation in his personal perspective and to a simultaneous reorientation in the social sciences generally. His early work prepared ground for an orientation that was to gain a foothold in the social sciences especially from the 1980s and the 1990s on.

Scholars' language and contemporaries' language

Concerning the historians' use of theory, Kari Teräs notes:

> *[T]he historian must reflect on the relationship of the concepts he uses with the concepts used by the contemporaries, or, more generally, with their language and culture. (...) When the historian ponders what the contemporaries meant, for example, in speaking about the "worker movement," (s)he may relate the meanings to different theories of social movements, thereby bringing the concepts of contemporaries and the current theoretical discussion into interaction with each other.*[1]

This is what Pauli Kettunen, as many of his colleagues, indeed does. As a theoretically oriented historian he brings 'the concepts of contemporaries and the current theoretical discussion into interaction with each other', for example when he conceptualizes the Finnish worker movement by such concepts as 'worker collectiveness' and 'needs' and 'interests' as its preconditions[2], or when

1 Teräs, Kari (2005) 'Suhtautuvatko historiantutkijat teorioihin välineellisesti?'. In Andersson, Marja, Anttila Anu-Hanna & Rantanen, Pekka (eds), *Kahden muusan palveluksessa. Historiallisen sosiologian lähtökohdat ja lähestymistavat*. Turku: Turun Historiallinen Yhdistys, 146.

2 Kettunen, Pauli (1986) *Poliittinen liike ja sosiaalinen kollektiivisuus. Tutkimus sosialidemokratiasta ja ammattiyhdistysliikkeestä Suomessa 1918–1930* (with a summary in German: Politische Bewegung und soziale Kollektivität. Eine Untersuchung über die Sozialdemokratie und die Gewerkschaftsbewegung in Finnland 1918–1930). Helsinki: Suomen Historiallinen Seura, 34–35.

he relates labour protection to 'risk' as a specific concept[3], or when he speaks of 'virtual circles' in describing the Nordic class compromises in the 1930s[4].

And this is also, not surprisingly, what sociologists usually do[5], including the historically oriented scholars among them. By historically oriented sociology I mean both the branch of the discipline that explicitly identifies itself as historical sociology, and the historical institutionalism which has allegedly even become a dominant historically oriented mode of analysis in sociology and political science.[6] Neither of them constitutes a uniform body of research, albeit traditionally both have mainly worked on states and other societal macro institutions. As 'research devoted to understanding the nature and effects of large-scale structures and fundamental processes of change'[7], historical sociology proper, for example, has stressed processes of (political) change, such as democratization, proletarianization, state formation, nation-building, revolutions, and the like.[8] These processes have been seen to result from various constellations of structures, conceptualized as institutions, class relations, forms of collective action, etc. Here as well the experience of contemporaries is captured through concepts specifically designed by scholars.

Yet Kettunen's perspective is different from that of historical sociology understood in this sense or in the somewhat modified, recent sense that nevertheless remains in the same methodological frame. For the purposes of contrasting Kettunen's approach with the conventional sociological-historical

3 Kettunen, Pauli (1994) *Suojelu, suoritus, subjekti. Työsuojelu teollistuvan Suomen yhteiskunnallisissa ajattelu- ja toimintatavoissa* (with a summary in English: Protection, Performance, and Subject: Labour Protection and the Social Modes of Thought and Action in Finland, c. 1880–1950). Helsinki: Suomen Historiallinen Seura, 28.

4 Kettunen, Pauli (2001) 'The Nordic Welfare State in Finland'. *Scandinavian Journal of History*, Vol. 26, No. 3, 229–231; Kettunen, Pauli (2011) 'The Transnational Construction of National Challenges: The Ambiguous Nordic Model of Welfare and Competitiveness'. In Kettunen, Pauli & Petersen, Klaus (eds), *Beyond Welfare State Models: Transnational Historical Perspectives on Social Policy*. Cheltenham: Edward Elgar, 26–31.

5 To be sure, the distinction is not always clear, when sociologists and those they study are contemporaries. Sociological concepts can trickle down and have trickled down into the non-scholarly language.

6 Wittrock, Björn (2009) 'History and Sociology: Transmutations of Historical Reasoning in the Social Sciences'. In Hedström, Peter & Wittrock, Björn (eds), *Frontiers of Sociology*. Leiden and Boston: Brill, 95.

7 Skocpol, Theda (1984) 'Sociology's Historical Imagination'. In Skocpol, Theda (ed.), *Vision and Method in Historical Sociology*. Cambridge: Cambridge University Press, 4; see also Mahoney, James & Rueschemeyer, Dietrich (2003) 'Comparative Historical Analysis: Achievements and Agendas'. In Mahoney, James & Rueschemeyer , Dietrich (eds), *Comparative Historical Analysis in the Social Sciences*. Cambridge: Cambridge University Press, 3–38.

8 On other, broader definitions of historical sociology, see, e.g., Adams, Julia, Clemens, Elisabeth S. & Orloff, Ann Shola (2005) 'Introduction: Social Theory, Modernity, and the Three Waves of Historical Sociology'. In Adams, Julia, Clemens, Elisabeth S. & Orloff, Ann Shola (eds) *Remaking Modernity: Politics, History, and Sociology*. Durham, NC: Duke University Press, 1–72.

approach, I take an example from this more recent historical sociology. In it a critical reorientation has taken place from concepts of the state and other macro structures and 'master processes' towards concepts allegedly better able to catch the historical dynamics. The change was epitomized by Charles Tilly, one of the great names in structural historical sociology, who in his late work adopted 'mechanisms' and 'processes' as key concepts in historical-sociological analysis. His focus was on interactive, reciprocal and contingent relationships, which take into account the historical dimension, because 'social processes operate differently as a function of their placement in space and time'.[9] Tilly characterized the logic of social processes and mechanisms for example in this way:

> *Mechanism-process accounts (...) positively welcome history, because their explanatory programme couples a search for mechanisms of very general scope with arguments that initial conditions, sequences, and combinations of mechanisms concatenate into processes having explicable but variable overall outcomes. Mechanism-process accounts reject covering-law regularities for large structures such as international systems and for vast sequences such as democratization. Instead, they lend themselves to 'local theory' in which the explanatory mechanisms and processes operate quite broadly, but combine locally as a function of initial conditions and adjacent processes to produce distinctive trajectories and outcomes (...).*[10]

What Tilly meant by mechanisms can be exemplified by 'boundary activation' and 'brokerage' in the study of collective violence.[11] The former term refers to an identity-creating (and at the same time antagonism-creating) mechanism, and the latter term to a mechanism establishing new connections between two or more social sites. Combined, these mechanisms effect processes, such as 'polarization', which tend to produce collective violence.

9 Tilly, Charles (2001a) 'Historical Sociology'. *International Encyclopedia of the Social & Behavioral Sciences*. Amsterdam: Elsevier, 6754.

10 Tilly, Charles (2007) Mechanisms of the Middle Range. Paper prepared for presentation to the conference on the work of Robert K. Merton and its implications for sociology and related fields today. Columbia University, 9–10 August 2007.

11 Tilly, Charles (2001b) 'Mechanisms in Political Processes'. *Annual Review of Political Science*, Vol. 4, 21–41; cf. Hogan, Richard (2004) 'Charles Tilly Takes Three Giant Steps from Structure Toward Process: Mechanisms for Deconstructing Political Process' (review essay). *Contemporary Sociology*, Vol. 33, No. 3, 275.

For example, the increasing hostility and the gradual consolidation of opposite camps preceding and during the Finnish Civil War, could be analysed through boundary activation and brokerage that led to an irreversible polarisation by the end of January 1918. The contemporaries' views and experiences in the tumultuous year 1917 would be reformulated in the theoretical language of mechanisms and processes 'of very general scope' (exactly as the theories of social movements are of general scope). But at the same time the historical dimension of the Finnish upheaval is taken seriously, because the mechanisms and the processes operated in specific ways in the particular conditions Finland underwent in 1917 and 1918.

A crucial feature of the 'general scope' of the mechanism-process accounts is their explanatory approach in the sense of causal analysis or causal thinking. In order to be able to propose explanations for social phenomena, the analyst portrays them through concepts which have at least some generality. This approach and this kind of conceptual consciousness or reflexivity are deeply entrenched in the mainstream sociological approach to social phenomena manifest, on the one hand, in basic sociological concepts like class, role, or norm that go beyond individual cases. On the other hand, there is the idea of the operationalization of concepts in individual cases. This view implies that ultimately the existence of the social phenomena to which the concepts refer, is not seen as problematic; it is taken for granted.[12]

'External explanations'

As stated, also Kettunen 'reflects on the relationship of the concepts he uses with the concepts used by the contemporaries', and I think that in many passages in various essays and studies he indeed routinely adopts the practice proper to sociology (some examples were presented above). Yet his approach seems different from the one just delineated. He displays not only a conceptual consciousness but a highly developed conceptual *self*-consciousness or self-reflexivity. Not only does he capture the object of study, drawing elements from a supposedly valid toolkit of the 'current theoretical discussion' and its concepts (as one could describe Charles Tilly's approach), but he also takes a sceptical distance to these tools, being highly aware of their contingency.

12 Wagner, Peter (2006) 'As Intellectual History Meets Historical Sociology: Historical Sociology after the Linguistic Turn'. In Delanty, Gerard & Isin, Engin F. (eds), *Handbook of Historical Sociology*. London: Sage, 172.

This sensitivity may take different forms. An illustrative variant appears in the way Kettunen distinguishes himself from the earlier research, both historical and social scientific, in his doctoral dissertation about social democracy and the trade union movement in Finland from 1918 to 1930. He criticizes the common characterization of that period as an epoch of the 'breakthrough of reformism'. In trying to make sense of those years the earlier research has reflected on the relations between the trade union movement and the worker parties as 'external relations of influence or utilization' or as 'relations of interaction' between them.[13] In this kind of 'external explanation', which hopes to find answers to why-questions by looking for 'external causal relations', the 'breakthrough of reformism' is seen to result from a change in 'worker parties' (notably the Social Democrats) and their relation to 'trade unions'.[14] These entities are accepted, without reflection, as the entities through whose (causal) interaction the 'breakthrough' is explained. Questionable in this conceptualisation and (external) explanation is, according to Kettunen, that 'worker parties' and 'trade unions' are taken for granted, without problematisation, exactly as, at a more general level, 'politics' and 'economy' are accepted as given separate categories, between which the existence of cause and effect relations will then be shown.[15]

This criticism can be seen as a form of taking distance from the social scientific turn of the 1960s and the 1970s in political history. Kettunen's stance undoubtedly echoes the Marxist influence of his early years as a historian, and perhaps also the linguistic, or cultural, turn that was gaining ground in social sciences and history at the time of the publication of his doctoral dissertation (1986) and that assumed a strong position in the 1990s.[16]

Obviously this kind of criticism could be extended to the whole approach exemplified by Tilly's mechanism-process accounts. Common with them are, first, the causal perspective and, second, the idea of operationalization of concepts that go beyond individual cases and are required in the causal analysis.

13 Kettunen 1986, 15.

14 Kettunen 1986, 14, 31.

15 Kettunen 1986, 27.

16 Cf. Kettunen, Pauli (2003a) 'Poliittisen historia poliittisessa historiassa'. *Ennen ja nyt. Historian tietosanomat*, No. 3. Online. Available HTTP: <http://www.ennenjanyt.net/3–03/kettunen.htm> (accessed 19 February 2013). I will return to this.

Conceptualization of the historical process

Which, then, is Kettunen's own view of the use of concepts in historical analysis? In his dissertation he says: '[T]he conceptualization of the real historical process requires that the independent and the dependent factors are dissipated [and] that one goes beyond them, into the multilevel and non-linear character of history'.[17] The answer is that instead of considering trade unions and the social democratic party as 'externally' related to each other, one should 'include the meaning of the trade union movement in the determination (…) of the social democracy of the epoch'. Instead of postulating conceptually separate factors and their causal configuration, '[t]he relationship between the social democratic party and the trade union movement must be analysed as an attribute of the social democracy itself'.[18]

This undertaking can succeed by adopting a perspective that goes beyond the organisational level and sees 'the history of the worker movement as the history of the articulation of collective needs and collective interests'. '[W]orker collectiveness is created in a sphere within which materialises the union between workers' needs and interests. To this sphere (…) refers (…) the concept of the *social*. The constitutive precondition of the worker movement is the workers' *social collectiveness*.'[19]

The point in this effort to deconstruct and then conceptually reconstruct the object of study is that the sheer description of the object becomes the essential part in catching the phenomenon, in analysing it, in 'explaining' it. It is not that concepts are mobilized to launch the analysis (as 'mechanisms' and 'processes' are) or that the analysis proper only begins after the object has been caught by way of the theoretical concepts, but rather the essence of the analysis is the conceptual capture itself.

Two things follow. First, the concept formation is closely dependent on the case under study: in principle the concepts should be re-considered in each case to capture the specific historical process in question. As Kettunen states, regarding the needs and interests in his post-doctoral monograph: 'these categories themselves, needs and interests, have to be understood as a historically specific structuration of life.'[20]

17 Kettunen 1986, 31.

18 Kettunen 1986, 15, 16.

19 Kettunen 1986, 16, 35; emphasis in the original.

20 Kettunen 1994, 28.

Second, it is here that Kettunen's anti-causal principle lies, or at least an uneasiness in relation to a causal way of thinking. He is interested in the conceptual relation between phenomena, not causal relations. A characteristic example is his view on the meaning and role of the political in the worker movement before 1918. Instead of considering the movement's predominantly political character as a *consequence* of its extensive support among the agrarian proletariat (which would have made the trade unions a relatively modest part of the movement vis-à-vis the party), he turns the connection on its head and says that the political character of the movement was also a precondition for its extensive support. At the same time he problematizes the meaning of the 'political' in the analysis: 'The worker movement caught the agrarian proletariat, *because* it was a political movement.'[21] Another example is Kettunen's repudiation of the common-sense causal image of the emergence of labour protection in his second monograph: 'Labour protection was not only a *reaction* to the changes in labour processes but was rather shaped as an *element* of these changes.'[22] He favours an interpretation which links together the presumed independent and dependent factors. Rather than emerging to restrict the employer's authority in the form of the old paternalism or the new liberalism, 'labour protection *modified* paternalism to become part of modern factory order and turned labour relations into contractual relationships compatible with liberalism'.[23] Rather than resulting from a social political reaction or from 'a realization of the employers' business economic security concept, (…) [l]abour protection was (…) institutionalized as an *element* of the formation of such discourses and practices'[24]

Conceptual history

It can be argued that Pauli Kettunen approached the social sciences notably through conceptual history in the broad sense of the term. This view requires an argument that is associated both with conceptual history itself and its relation to the social sciences.

First, understood as a scholarly undertaking that puts an emphasis on language and considers concepts as historically specific phenomena,

21 Kettunen 1986, 50; emphasis in the original.

22 Kettunen 1994, 460; emphasis added.

23 Kettunen 1994, 461; emphasis added.

24 Kettunen 1994, 462; emphasis added.

conceptual history gained ground in Finland from the 1990s on in its different manifestations of which the most important were the conceptual history developed by Reinhart Koselleck and his fellow historians and the so-called linguistic contextualism[25] by Quentin Skinner and others. Kettunen took an active part in this activity, and a common perspective of conceptual history has remained an essential part of his methodological arsenal since then. Characteristically, in his inaugural lecture after having been nominated as Professor of Political History at the University of Helsinki in 2003, he stressed, in the spirit of conceptual history, that a crucial point in historicising the political lies in 'taking distance to such things which in [the historian's] present are given or self-evident'. The historian's starting points belong 'both in the sphere of the methodological reflection and in the field of the research. This is true in the conceptualisation and treatment of time, history, society, and gender'. Finally, also 'what is political, is an historical question'.[26] This is a highly self-reflexive stance and is in full agreement with his earlier views.

But conceptual history was an innovative perspective not only in the field of history. As Björn Wittrock, for example, states, 'conceptual history, emerged as an integral part of the discipline of history (…) has been increasingly successful in attracting the interest and attention of social scientists and humanities at large'.[27] This characterisation fully holds in Finland, where conceptual history soon became a meeting ground for historians and social scientists alike.[28]

From the perspective of the social sciences, conceptual history appears as one manifestation of the linguistic turn from the 1980s onward.[29] In that turn the significance of the language in the relations between human beings in general was stressed, and more specifically the idea that the categories of thought are constitutive of social reality and thereby historical products. At the same time conceptual history was a non-relativist approach to social phenomena, in contrast to many other manifestations of the linguistic turn.

Through this turn, that is, through the adoption of a strand in the discipline of history that at the same time made room for increasing historical sensitivity

25 Wittrock 2009, 91.

26 Kettunen 2003a, 2, 4, 1.

27 Wittrock 2009, 91.

28 See, e.g., Palonen, Kari (1999) 'Rhetorical and Temporal Perspectives on Conceptual Change: Theses on Quentin Skinner and Reinhart Koselleck'. *Finnish Yearbook of Political Thought*, Vol. 3, 41–59; Hyvärinen, Matti, Kurunmäki, Jussi, Palonen, Kari, Pulkkinen, Tuija & Stenius, Henrik (eds) (2003) *Käsitteet liikkeessä. Suomen poliittisen kulttuurin käsitehistoria*. Tampere: Vastapaino.

29 Wagner 2006, 172–173.

in the social sciences,[30] Kettunen took one step – or one step more – towards the social sciences. This may sound inappropriate, because it was rather a part of the social sciences that approached history than Kettunen who approached them. My point is that for him it became more natural and easy to work with social scientists than in the epoch of 'a language-unconscious historical sociology'.[31]

The most remarkable result of Kettunen's work in conceptual history proper are his analyses of the notion of 'society' in Finnish and the Scandinavian languages.[32] Of particular interest is his account of the conflation of 'state' and 'society' in these languages – the Nordic use of 'society' for the state, or the 'notion of state as society'. In other words, he postulates a conceptual relation between the two terms, a relation that serves as the point of departure for understanding the nature of the 'state' as 'capable of involving the associative, integrative and inclusive principles of "society" and the "social"'.[33]

A point in this conceptual analysis is, once more, the establishment of an 'internal', 'historical' relationship between the two phenomena, not an 'external' view, so common in causal-type sociological analyses of the relationship between the state and civil society.

Comparisons

Moreover, it seems to me that Kettunen's more recent scholarly work *is* also really closer to the social sciences in a conventional sense than it was in his early years as a historian. This appears most clearly in his work on comparisons. Even though it is critical of (mostly) social scientists, it seems to me that a dialogue exists, implying a largely common language with those he criticises. The criticism clearly takes place in the same discursive space. Yet, in the criticism itself some features also appear that are characteristic of Kettunen as a historian.

30 This was so, even though a historical sensitivity was no *necessary* consequence of the linguistic turn in the social sciences.

31 Wagner 2006, 173.

32 Kettunen, Pauli (2000) '*Yhteiskunta* – "Society" in Finnish'. *Finnish Yearbook of Political Thought*, Vol. 4, 159–197; Kettunen, Pauli (2003b) 'Yhteiskunta'. In Hyvärinen, Matti, Kurunmäki, Jussi, Palonen, Kari, Pulkkinen, Tuija & Stenius, Henrik (eds) *Käsitteet liikkeessä. Suomen poliittisen kulttuurin käsitehistoria*. Tampere: Vastapaino, 167–212.

33 Kettunen, Pauli (2011) 'The Transnational Construction of National Challenges: The Ambiguous Nordic Model of Welfare and Competitiveness'. In Kettunen, Pauli & Petersen, Klaus (eds) *Beyond Welfare State Models: Transnational Historical Perspectives on Social Policy*. Cheltenham: Edward Elgar, 24.

Kettunen's analyses of 'society' in Finland and in Finnish in relation to the corresponding concept in the other Nordic countries and languages show that comparisons are not alien to him. Given the breadth of his conceptual orientation it would be strange if they were lacking, and it is indeed easy to find comparative remarks in his studies. Yet characteristically enough, his main interest in comparisons is not on them as tools of analysis, as is usually the case in the social sciences, in which they mainly serve in causal interpretation or explanation – including the historical sociology, also referred to as the 'comparative-historical analysis' in the social sciences.[34] On the contrary, once again his self-reflexive gaze is critically directed towards the presuppositions in the use of this tool. Indeed, the historian's starting points belong 'both in the sphere of the methodological reflection and in the field of the research'.

Instead of accepting cross-national comparisons as a taken-for-granted starting point for the research, he looks at comparisons as an object of study, as social practice, which is susceptible to criticism, including the 'models' as a major element in comparisons. In Kettunen's view the notion of isolated units has been adopted far too easily in comparative research, and especially in social scientific welfare state research. He sees the production and reproduction of the conception of separate national units both as a part of the making of the nation-state and as an inherent part of current globalization. In a familiar vein to his earlier work he criticizes the (causal) view that considers national units as adapting themselves to 'external' constraints. What serves as a point of departure in this erroneous perspective is 'the distinction between the actor and the external environment (…). Globalization and often even European integration are conceived as phenomena of the external environment of national societies and welfare states. The actors, in turn, the nation-states like the Nordic countries, appear as carriers of internal historical properties (…) adapting to external challenges'.[35] But in fact, instead of forcing the national states to react to inter- and transnational processes, these processes 'have been constitutive of the making of national welfare states'.[36]

In this context a favourite concept of Kettunen also appears, the 'immanent criticism'; one more example of his reflexivity. 'Nordic society' is for him no simple concept in comparative analysis but a criterion or an instrument serving

34 Mahoney & Rueschemeyer 2003; Lange, Matthew (2013) *Comparative-Historical Methods*. Los Angeles, London, New Delhi, Singapore, Washington DC: Sage, 3.

35 Kettunen, Pauli & Klaus Petersen (2011) 'Introduction: Rethinking Welfare State Models'. In Pauli Kettunen & Klaus Petersen (eds) *Beyond Welfare State Models: Transnational Historical Perspectives on Social Policy*. Cheltenham: Edward Elgar, 4.

36 Kettunen & Petersen 2011, 5.

the 'immanent criticism' of Finnish society, implying that Finland does not fulfil the normative standards included in that term.[37]

Kettunen's analysis hits the mark as a criticism of welfare-state research and even of the cross-national research more generally. This research has been predominantly done in the social sciences. But in criticizing it he speaks largely the same language as numerous social scientists. It is no coincidence that social scientists may predominate in his references.[38] His stress on interaction, transnational processes, globalization, etc., moves terminologically and intellectually in the field of the social scientific research, or, perhaps more accurately, comparative (welfare) research is a good example of a subject in whose analysis it is difficult to draw any more distinct boundaries between the social sciences and history. Even though Kettunen is critical of the view of the isolated national units, his criticism draws from the same conceptual arsenal that prevails in the social sciences, including the critique of 'methodological nationalism'.[39] One could also point out that in historical sociology and in historical anthropology there are honoured traditions, for which the political units and their formation are subordinate to various inter- and transnational processes.[40]

Conclusion

In a larger perspective Kettunen's itinerary is a telling indication of the increasingly blurred boundary between history and social sciences. It is a consequence of reorientation on both sides, which clearly appears in Kettunen's work. But in his case two features seem specific in this relationship. First, for him taking the language seriously does not only mean sensitivity to the objects of study, but a highly developed self-reflexivity as a historian. This is clear from his early studies to the recent analyses of comparisons. The second feature, not separate from the first feature, is his 'anti-causal principle'. There, as well, the linguistic sensitivity appears in a personal way.

37 Kettunen 2006, 56–58. I thank Johanna Rainio-Niemi for directing my attention to this point.

38 E.g., Kettunen 2011, 13–15.

39 See, e.g., Alasuutari. Pertti (2013) 'Spreading Global Models and Enhancing Banal Localism: The Case of Local Government Cultural Policy Development'. *International Journal of Cultural Policy*, Vol. 19, No. 1, 103–119.

40 E.g., Wallerstein, Immanuel (1974) *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. New York: Academic Press; Wolf, Eric R. (1982) *Europe and the People Without History*. Berkeley: University of California Press.

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RAOUL PALMGREN AND THE EAST AND WEST OF THE FINNISH LEFT

ILKKA LIIKANEN

The collapse of the Soviet Union is often seen as marking a major turning point in the study of the history of the Finnish labour movement. Since that time, indeed, ground-breaking studies have provided both critical perspectives and new information, especially concerning the history of Finnish communism and the dependencies of Finnish political actors on the Soviet leadership.[1] On the other hand, the opening of the Moscow archives has meant that since 1991 the politics of the Finnish left has been studied more than ever in relation to the Soviet communist party and its politics. Paradoxically, even critical examination of the discoveries of the Moscow archives has tended to narrow the frame in which the politics of the Finnish left have been analysed. In some cases, this has re-enforced the politically motivated tendency to study the labour movement as a more or less conscious advocate of Moscow interests.[2] Fortunately, alternative framings of politics have also been considered, but even these have often appeared in the form of more or less fixed models of the East-West juxtaposition – for example, the case of examining the post-war politics of the Finnish Social Democrats as reflecting a choice between an eastern model of the Peoples Republic and a western model of the Nordic Welfare State.[3]

This study seeks to identify alternative framings of the Cold War politics of the Finnish left by reassessing the post-war political writings of Raoul Palmgren (1912–1995), a newspaperman and politician who played a prominent role in the formulation and public introduction of the politics of the Democratic Union of the Finnish People (*Suomen Kansan Demokraattinen Liitto*, SKDL) during the post-war years. In the 1930s, Palmgren was one of the leading figures of the radical social democratic student organization, the Academic Socialist

1 See e.g. Rentola, Kimmo (1994) *Kenen joukoissa seisot? Suomalainen kommunismi ja sota 1937–1945*. Helsinki: WSOY; Rentola, Kimmo (1997) *Niin kylmää että polttaa. Kommunistit, Kekkonen ja Kreml 1947–1958*. Helsinki: Otava; Saarela, Tauno (1996) *Suomalaisen kommunismin synty 1918–1923*. Tampere: KSL; Saarela, Tauno (2008) *Suomalainen kommunismi ja vallankumous 1923–1930*. Helsinki: SKS.

2 See e.g. Rautkallio, Hannu (1993) *Neuvostovallan asialla. NKP:n vaikutus Suomessa 1960-luvulla*. Helsinki: Tammi.

3 Majander, Mikko (2004) *Pohjoismaa vai kansandemokratia? Sosiaalidemokraatit, kommunistit ja Suomen kansainvälinen asema 1944–51*. Helsinki: SKS.

Society (*Akateeminen Sosialistiseura*, ASS). After imprisonment during the war he joined the communist party when he was released from prison in1944.[4] During the post-war years his activities were concentrated, however, not in the party but in the SKDL that functioned as a broader cooperation organization of communists and left-wing socialists. His writings came to manifest new perspectives of the left in an original manner that shook up the fixed ideas of East and West in Finnish politics. In 1952 his political career ended in a split with the leadership of the Communist Party and dismissal from his post as editor-in-chief of the main organ of the SKDL, the newspaper *Vapaa Sana* (VS).[5]

My work takes inspiration from approaches elaborated by Pauli Kettunen in influential studies on labour movement history dating from different points in his career. A theme often present in his work is the critical examination of the idea of a Nordic model, or for that matter, any compass-bound fixed model of labour movement politics.[6] Another pioneering innovation is the application of a conceptual history approach to the study of the Finnish labour movement.[7] The closest example of this is his study of the key concepts of the leading Finnish social democratic politicians, K. H. Wiik, V. A. Tanner and E. A. Vuori. The study goes beyond one-dimensional models of social democratic politics and paints a nuanced picture of the key concepts used to frame inter and post-war political circumstances, opportunities, allies and enemies.

4 After the Soviet attack on Finland in 1939, Palmgren participated as a frontline soldier in the so-called Winter War. When Finland joined Hitler's operation Barbarossa against the Soviet Union in the summer of 1941 Palmgren went underground and was soon arrested as a deserter and sentenced to imprisonment. Palmgren, Raoul (1997) *Vankilapäiväkirja: Raoul Palmgrenin epitafi 1940-luvulle*. (Ed.) Marja-Leena Palmgren. Oulu: Pohjoinen.

5 During his political career, Raoul Palmgren did not hold top positions in the party apparatus or state institutions. As a party-man, Palmgren was mainly active as a journalist and writer (he ended up as Professor of Literature in his later career). For many a later commentator, the most well-known episodes of his party career are the much debated dismissals from both labour parties, from the Social Democratic Party in 1937 and from the Communist Party in 1952.

6 This critical line can be recognized from the early anthology on the Nordic labour movement (Kettunen, Pauli (1986, ed.) *Det nordiska i den nordiska arbetarrörelsen. Femte nordiska konferensen för forskning i arbetarrörelsens historia. Tammerfors, den 23–27 augusti 1983*. Papers on Labour History. Helsinki: Finnish Society for Labour History and Cultural Traditions) to the present-day work of the Nordic Centre of Excellence: The Nordic Welfare State.

7 Kettunen drew conclusions related to labour movement politics in his influential contribution to the anthology on Finnish political language (Kettunen, Pauli (2003) 'Yhteiskunta'. In Hyvärinen. Matti et al (eds) *Käsitteet liikkeessä. Suomen poliittisen kulttuurin käsitehistoria*. Tampere: Vastapaino, 167–212) and further elaborated the approach in his recent study of key political actors of the post-war labour movement, Kettunen, Pauli (2012) 'Työväki ja sen liike sosiaalidemokratian itseymmärryksessä'. In Majander, M. & Rentola, K. (eds) *Ei ihan teorian mukaan*. Helsinki: Työväen historian ja perinteen tutkimuksen seura / Yhteiskunnallinen arkistosäätiö, 67–84.

During the Cold War years, the perspectives of the politics of the left were dominated by the global geopolitical division between East and West. Bipolar visions of battle between the socialist and the imperialist camps or the free world and totalitarian communism were hegemonic and directed the framing of the post-war political *spielraum* of the Finnish left. This framing was, however, only gradually adopted and not necessarily in terms of choosing between fixed eastern and western models. This article looks to depict this complex setting from an actor's point of view by applying a conceptual history approach to the post-war writings of Raoul Palmgren and the key concepts he used in analysing the political situation and the opportunities it opened for left wing politics.

Finnish dissident or Western Marxist: perspectives of earlier research

In later evaluations of Raoul Palmgren's political activities, his well-known schisms with both social democratic and communist party leaders are often the main topic of focus, and he is frequently presented as a theory-centred eternal dissident. In cultural historical studies, he is well remembered as an outspoken polemicist and an ironic columnist who, especially under his post-war pen-name *Hapan*, cheerfully attacked his opponents in a manner that frequently placed him at odds with the political elite. As a journalist, Palmgren was placed under indictment in 1937 for putting 'legitimate social order under contempt', and after the war his writings led more than once to libel actions against him from offended political rivals. All this is reflected in Palmgren's later reputation as an eternal resistance man, a 'Finnish dissident' as Kalevi Kalemaa summarises in the title of his biography of Palmgren.[8] Palmgren certainly excelled in struggles inside the labour movement but the notion of an eternal dissident has also distorted the picture of his political thinking. Instead of examining the content of his analysis of the political situation, he is often made to stand as an antithesis to the stereotypic models of left wing politics, to Väinö Tanner's rightwing line in the Social Democratic Party and to Stalinist Communism within SKDL.[9]

This type of stereotypical modelling has seldom been avoided even in estimations of Palmgren as a political theoretician and thinker. The seminal

8 Kalemaa, Kalevi (1984) Raoul Palmgren. *Suomalainen toisinajattelija*. Helsinki: Tammi.

9 Kurjansaari, Matti (1966) *Veljeni merellä myrskyävällä*. Helsinki: Tammi; Wirtanen, Atos (1972) *Poliittiset muistelmat*. Keuruu: Otava.

text which identified and recognized Palmgren's position as a key figure in Finnish Marxist research and theoretical discussion is Risto Alapuro's article on the Marxist research tradition in Finland, published in 1977.[10] Alapuro goes beyond the stereotypical political juxtapositions by analysing Palmgren's role in terms of the tradition of 'Western Marxism', introduced by Perry Anderson.[11]

Palmgren's writings do indeed remind us in many senses of the thinking of such European Marxist scholars as Lukacs, Adorno, Horkheimer, and Fromm who often had similar problems with the ideological control of the Communist Parties. Especially, the reference to 'Western Marxism' underlines fittingly the distance of Palmgren's thinking from the textbook Marxism-Leninism of the post-war Communist Party. Personally, Palmgren never used the concept of Marxism-Leninism. On the other hand, when compared to the philosophically oriented writings of Western Marxists, there are not too many articles in Palmgren's production which would have been intended primarily as contributions to theoretical scientific debate. Alapuro does not picture Palmgren as a master theorist either. Instead, he sees a similarity in the way that Palmgren and the Western Marxists set their focus on cultural issues. The notion of concentrating on cultural debate is also present in Kalevi Kalemaa's biography where it is connected especially to the disputes and polemics between Palmgren and Armas Äikiä, a poet and communist journalist, who is presented as a prototype of Stalinist thinking. Raoul Palmgren was a master of words who shone among his contemporaries with his vast scholarship and historical knowledge, but this kind of juxtaposition easily creates and reproduces stereotypical models of eastern and western political culture. At worst it projects the political schisms in the differences in the parties' educational level, intellect and ability in the use of the pen.[12]

Alapuro is not satisfied with these kinds of personal level explanations connected to the dissident image. According to him, the conflict between Palmgren and the Communist Party derived from different areas of interest:

10 Alapuro, Risto (1977) 'Marxilaisesta yhteiskuntatutkimuksesta Suomessa vuosisadan alkupuolella' [On Marxist Social Research in Finland in the First Half of the Nineteenth Century]. *Tiede ja Edistys* 2, 14–21. In the same edition of the journal *Tiede & Edistys* in which Alapuro's article appeared, there were no less than three responses which fiercely denied Palmgren's role as a representative of Western Marxism. The overriding argument (typical to Finnish radicalism of the 1970s) was that no significant Marxist research was possible outside the Communist Party and the Marxist-Leninist tradition, not in the West and definitely not in Finland.

11 Anderson, Perry (1976) *Considerations on Western Marxism*. London: New Left Review Books.

12 See for example: Kalemaa 1984, 198–220. The theme is elaborated with more sophistication in many studies examining Palmgren as an intellectual in the labour movement, e.g. Koivisto, Hannele (2011) *Politiikkaa, erotiikkaa ja kulttuuritaistelua. Kirjoituksia suomalaisesta vasemmistoälymystöstä 1930–luvulla*. Helsinki: Työväen historian ja perinteen tutkimuksen seura.

Palmgren focused in the manner of the Western Marxists on cultural phenomena and 'superstructure' whilst the Communist Party's education centred on the practical questions of post-war 'economy and class struggle'.[13] If we accept this interpretation, the crucial question from a conceptual history perspective is how the actors themselves understood what constituted the foremost 'class struggle issues' in the post-war situation and how the objectives of the labour movement were to be advanced in practice.

Hegemony, culture and the praxis of the labour movement

How did Raoul Palmgren understand the praxis of the labour movement in the post-war situation, and how did he define the relationship between class struggle and cultural issues? Evidently, Palmgren's post-war writings focused to a high degree on cultural issues from the outset. When defining the tasks of leftist writers at the beginning of 1945, Palmgren set as a primary objective the establishment of organic contacts with the bourgeois culture of the country. According to him, the task was to build 'an alliance of all progressive, constructive, creative cultural forces, to fight for a hegemonic position in the country's cultural life'.[14]

It is important to note, however, that the political line of fighting for cultural hegemony that Palmgren embarked upon in *Vapaa Sana* was not, as such, inconsistent with SKDL's post-war politics. During the period that SKDL participated in the Finnish government (1944–1948), the Communist Party's leadership's assessments were in no way on a direct collision course with the line Palmgren sketched in *Vapaa Sana*. In fact, Palmgren's considerations were used to a substantial degree in the formulation of SKDL programmes. He played a major role in the writing of the approved 1947 SKDL cultural programme and was also involved in the drafting of the SKDL principal programme in 1949.

In this sense, Palmgren's relationship to the movement's practical politics had been tried and recognized. At the same time, Palmgren's perception of the demands of the political situation differed sharply from the Communist Party's educational activities which focused on the training of new party cadres. The most authoritative teaching tools of cadre training conveyed an understanding

13 Alapuro 1977, 18–21. The interpretation actually is reminiscent to a high degree of the views presented by Tuure Lehen already in the 1950s, see below.

14 Palmgren, Raoul (1945) Kiila ja työväen kulttuuripolitiikka, Kommunisti, 24.

of Marxism-Leninism as providing a universal strategy for an unavoidably approaching revolution. In fact, the accusation levelled at Palmgren of his line being detached from the praxis of the labour movement may well be turned around. With good grounds it can be asked what the relationship of the communist revolutionary education was to the praxis of the labour movement: what kind of support could the scenarios of the escalation of the crisis of capitalism and the inevitable outbreak of revolution find among the working population and the rest of society?

In retrospect it is easy to say that the strategy model offered by the communist education system did not even seek to justify itself in analyses of the political circumstances after the war, but rather focused upon universal visions of the collapse of capitalism and the outbreak of a new revolutionary situation. There was an in-built tendency to present preparation for the inevitable socialist revolution as an immediate task and to replace any concrete assessment of the situation with propaganda surrounding the escalation of the crisis of capitalism and the maturation of conditions for revolution.[15] This type of party cadre education was in sharp contrast with Palmgren's assessment of the situation and his ideas of the political conclusions to be drawn. As long as the communists participated in government, textbook Marxism-Leninism did not play a major role on the political plane but the differences in assessments mainly erupted around controversies concerning cultural issues, especially between Palmgren and Äikiä.

European revolution and a new type of democracy

From the studies of Kimmo Rentola we learn that the Communist Party's immediate post-war assessments of the political situation were far from the textbook definitions. The general starting points were in line with the popular front tactics elaborated in the 1930s, but to a large degree the political line was constructed by improvising and anticipating the potential Soviet Communist Party's position. In practice, Finnish Communist Party leaders left their political line open, and apparently deliberately avoided more explicit definitions.[16]

15 Majander, Mikko (1998) Uuno Hiironen toverituomioistuimessa eli kommunistit ammattiyhdistys- ja puoluelogiikan välissä. Saarela, Tauno (ed.) *Aave vai haave, Väki Voimakas 11*. Tampere: Työväen historian ja perinteen tutkimuksen seura. s. 237–273.

16 See e.g. analysis of post-war correspondence between Hertta and Otto Wille Kuusinen in Rentola 1994.

In the post-war situation, this provided more leeway for debate inside the SKDL regarding the appropriate line than has generally been understood. In fact, it could be said that the perceptions of the new world historical situation and the corresponding political line are the key issues in gaining an understanding of the tensions in the relationship between Palmgren and the Communist Party. In his post-war writings, Palmgren did not concentrate on cultural issues but, on the contrary, closely followed the situation in Europe and sought to define a new phase of development corresponding to the situation of the Western European labour movement. In his editorials and political articles, he developed the notion of 'European revolution' that would provide an alternative to the Russian Revolution and a peaceful road to socialism.[17] Palmgren's central concept was that of 'a new type of democracy' with the help of which he outlined the road for a gradual movement towards socialism that built on the experiences and perspectives of the Popular Front governments in Western Europe.

In elaborating the concept of 'European revolution' and a 'new type of democracy', Palmgren took as a starting point the problems that the working-class faced after the war in the conditions of advanced capitalism. He emphasized that revolution in the west could not be achieved by an assault, led by a conscious vanguard. 'European revolution' called for broad-based organization and the cooperation of the labour movement.[18] After the war Palmgren complemented this notion, which he had already adopted as far back as the 1930s, with findings of the ability to resist which western capitalism possessed thanks to its advanced cultural superstructure. According to Palmgren, the struggle for state power in the west required in the first place stabilisation of political democracy and advancing on a cultural front, a drive

17 Uuden tyypin demokratia (New type of democracy), VS 06/19/1945; Eurooppalainen vallankumous (European Revolution), VS 01/20/1946.

18 Hapan, Kahteen vai yhteen (Two or one), VS 03/09/1946.

for cultural hegemony, and gaining a leading position in national culture and consciousness.[19]

Before 1948, ideas of a national or peaceful road to socialism were elaborated in most European communist parties.[20] Even in Finland, Palmgren was not alone. Inside the communist party elite, the powerful couple Hertta Kuusinen and Yrjö Leino were inclined to understand and support these ideas in internal discussions of the movement.[21] When the international situation started to polarize after 1947, the Communist movement began to promote its ideological and political unity. A new ideological and propagandistic centre, Kominform was established to co-ordinate the ideological work of the communist parties. In 1948, the 8th Assembly of the Finnish Communist Party set up as its main task to reinforce 'the ideological strength and battle spirit of the party'. Yrjö Leino lost his position in the party, and Hertta Kuusinen adapted to the policies streamlined according to the Kominform line. The Marxist-Leninist concepts that thus far had been dominant mainly in the cadre education of the party began to have an increasing influence in defining the politics of the Communist Party and started to contribute to the formulation and introduction of practical policies in the party press.

At first, the intensification of the Cold War and the expulsion of the Communists from Western European governments were reflected in the writings of Raoul Palmgren by an increasing identification with the Eastern European countries with communist led governments. In the longer run, the

19 Uuden tyypin demokratia (New type of democracy), VS 06/19/1945; Kulttuuri ja demokratia (Culture and Democracy), VS 03/19/1946. In previous papers, I have tried to illustrate Palmgren's political line with comparisons to Antonio Gramsci's political thought and more generally the political assessments developed by the Italian Communists after the Second World War. I am not convinced if it is worthwhile on a theoretical level to try to make Palmgren out to be a Finnish Gramsci or a Finnish Togliatti. It is, however, essential to note that the key concepts of his political analysis were close to those of the Italian Communists, when he sought to outline the political strategy which would apply to the realities of advanced capitalism. The fundamental conclusions were the same as those reached above: revolution in the West required the winning of cultural hegemony in society and it was not possible through a storming led by a conscious vanguard that would turn the social struggle of the masses into a struggle for political power. Cf. e.g. Pons, Silvio (2001) Stalin, Togliatti, and the Origins of the Cold War in Europe. *Journal of Cold War Studies* Vol. 3, No. 2, Spring 2001, pp. 3–27; Gramsci, Antonio (1971) *Selections from Prison Notebooks*. Trans. and ed. Quintin Hoare and Geoffrey Nowell Smith. New York: International Publishers, 206–276.

20 Urban, Joan Barth (1986) *Moscow and the Italian Communist Party: From Togliatti to Berlinguer.* London: I.B.Tauris; Weitz, Eric D. (1997) *Creating German Communism, 1890–1990: From Popular Protests to Socialist State*. Princeton: Princeton University Press. s. 315–316.

21 Hertta Kuusinen was the daughter of the influential communist leader Otto Wille Kuusinen who had expatriated to the Soviet Union, and she was generally considered as his voice inside the Finnish Communist Party. Her husband Yrjö Leino was the Minister of the Interior 1945–1948 who dramatically lost his position in the government and authority within the party in 1948, according to his own later view, because of his line of national communism. Rentola 1994.

same factors led to the escalation of the conflict between Palmgren and the party leadership. The thoughts of a new strategy for European revolution encouraged after the war were now interpreted as highly disruptive revisionism. In the intensifying Cold War situation, the traditional Marxist-Leninist doctrines were proclaimed to provide the only road to socialism. In connection with the crisis between the Soviet leadership and the Yugoslavian communist leader Tito, the Finnish Communist Party press began to publish statements which strongly condemned the ideas of a distinctive national or democratic road to socialism. After this revision in the line of the communist movement the conflict between Palmgren and the Communist cultural workers was raised for the first time to the level of conceptualizing political situation, opportunities and tasks.[22]

The fight for hegemony and the line of the press

Differences of opinion concerning the political line suitable for the post-war situation crystallized in disputes on the practical work of the press. Palmgren saw the duties of the press in the frame of the fight for hegemony and emphasized that the work of the press could not be limited to date-specific social and political issues. On the contrary, the main task was to strive for cultural hegemony, to constantly conquer new positions in the national consciousness, to serve human progress in the long run and enrich the picture of human life.[23] The key issue was not an ideological orthodoxy but an assessment of the political situation that met the experiences of the audience. 'The task of Marxist critique is not only to analyse the world but also to change it, but in order for the latter to be possible, the former must be based on facts, not demagogy, it has to reveal reality and not to shadow it.'[24]

The line Palmgren elaborated in *Vapaa Sana* was in many ways opposite to the party stand emphasized in the Communist Party's training of cadres which

22 I have elaborated the argument earlier in the studies, Liikanen, Ilkka & Manninen, Pauli (1982) Realisti vai utopisti? Raoul Palmgrenin kirjallisen tuotannon maailmankatsomuksellisista ja poliittisista linjoista. In Liikanen , Ilkka & Sallamaa, Kari (eds), *Palmgrenin työ*. Oulu: Oulun yliopiston kirjallisuuden laitos, and Liikanen, Ilkka (1998) Kamppailu kansakunnan menneisyydestä. Raoul Palmgrenin Suuri linja kansakunnan synnyn tulkintana ja 1940-luvun poliittisena dokumenttina. In Viikari, Auli (ed.), *40-luku. Kirjoituksia 1940-luvun kirjallisuudesta ja kulttuurista*. Helsinki: Suomalaisen Kirjallisuuden Seura. In the course of 2012, I have taken the theme up again in two seminars organized in Helsinki and Tampere in commemoration of Raoul Palmgren's one hundredth anniversary.

23 Ei niin, toveri Kriticus! (Not in that way, Comrade Kriticus!), VS 4/28/1946.

24 Postikortti Armas Äikiälle (A postcard to Armas Äikiä), VS 11/12/1948.

after 1948 received more and more room in the press work of the movement, especially through the news material of the international press service of the communist movement. In the course of daily journalistic work, this led to disputes between Palmgren and Armas Äikiä who had become the head of the Democratic Newspaper Service, DLP. Palmgren interpreted the material of DLP as being alien to the line of *Vapaa Sana*. According to him, newspapers had to be able to speak across class and party lines and to contribute to the long-term building of a democratic front. Disputes with Äikiä and DLP can be seen in the background of a speech at the International Organization of Journalists Congress in 1950, when Palmgren almost demonstratively emphasized facts as being the best propaganda of the left-wing press. Palmgren acknowledged the importance of a clear ideological view but stressed at the same time that it could not lead to any negligence in details or a direct manipulation of them in order to achieve immediate targets. 'No rhetoric contributes to propaganda like facts, facts are the best propaganda.'[25]

The final battle regarding the political line of press work was fought at the end of 1952. At a SKDL Assembly in the summer, Palmgren examined the relationship between the practical work of the press and the programmatic objectives accepted for the movement, and directly criticized the line of DLP. Palmgren estimated that the practical forms of press work were lagging behind the programmatic principles. Propaganda work was to be corrected in a way 'that it can reach a neutral or a social democratic worker ... peasantry and progressive intelligentsia and is not directly pushing them away.' He continued: 'Unfortunately, DLP sends its news and articles usually in a form that, at least in *Vapaa Sana*, they have to be re-written. And when it equips our regional press with circuit articles, the tone of the newspapers becomes such that it hopelessly violates the principles that were accepted for the activities of SKDL here yesterday.'[26] At the Assembly, the Communist Party's top leadership was represented by Hertta Kuusinen who recognized in principle the legitimacy of Palmgren's critique, but in practice defended the line of Äikiä and the DLP. They were based largely on Soviet and international communist movement propaganda texts, and so to openly criticize those was going too far. In November of the same year, the press line controversy was dealt with at the SKDL executive committee, which also supported the DLP's position. In late November 1952, Palmgren resigned from the Communist Party's membership.

25 Tosiasiat parasta propagandaa (The facts are the best propaganda), VS 09/20/1950.

26 Palmgren, Raoul (1974/1952) 'Työtyyliä vara parantaa', lyhennelmä Raoul Palmgrenin puheenvuorosta SKDL:n 3. liittokokouksessa 1952. In Hentilä, Jorma (ed.), *Paremman elämän puolesta. Asiakirjoja ja lausuntoja SKDL:sta ja sen tavoitteista vuosilta 1944–1964*. Helsinki, Kansankulttuuri, 62–65.

The party responded by organizing a public campaign against Palmgren - and his formal dismissal from the post of the editor of *Vapaa Sana*.

The key implementer of the new line in communist ideological work was not the poet Armas Äikiä but the experienced Komintern heavyweight Tuure Lehen, who in his books and writings defined the orthodox line of Marxism-Leninism and the working-class worldview.[27] Lehen took on the task of providing a communist assessment of the work of Palmgren, and especially his famous study 'Suuri linja' (The Great line, 1948). He criticized Palmgren for granting national cultural heritage and the educated elite too prominent a role in history. Instead, Lehen suggested that the bourgeois intelligentsia that had joined the labour movement should give up its old thinking modes and learn from the working class and the writings of scientific socialism.[28] What is interesting in this connection is that the first estimates of Lehen on 'Suuri linja' had been unreservedly positive. Between these and subsequent critiques there occurred a crucial change in the politics of the Communist Party and the international Communist Movement, which probably explains much of Lehen's change of mind. The core of Lehen's critique was that he turned the question from the key concepts of defining topical political tasks to the role of the intelligentsia in the labour movement, and by so doing he paradoxically laid the ground for later discussions of Palmgren as a Finnish dissident or a culturally oriented Western Marxist.

Raoul Palmgren and the East and West of the Finnish Left

If we look at the visible conflicts which marked Palmgren's relationship to the party, they indeed seem largely related to cultural struggle and its relationship to the praxis of the labour movement. Even the dispute over the line of press work can be interpreted as a cultural issue rather than a traditional 'class struggle' issue. In a broader context, Palmgren's post-war activities concerned the very key concepts of politics and especially the post-war praxis of the labour movement and class struggle. At the core of his writings was precisely how to define the new post-war situation and the politics that might be suitably applied to the conditions of developed capitalist countries. In the background of the escalation of internal conflicts within the party, can be seen a deeper split in

27 Lehen, Tuure (1949) Kansallisuusaatteen nykyinen sisältö, *Kommunisti, 5*; Lehen, Tuure (1953) Kommunistit ja isänmaa, *Kommunisti, 9*.

28 Lehen, Tuure (1948) Elävää yhteiskunta ja kulttuurihistoriaa, *Kommunisti, 4*; Lehen, Tuure (1954) Työväenluokka ja sivistyneistö, *Kommunisti,10.*

the political assessment of the situation, which sheds light on the forgotten side of post-war left-wing politics.

In relation to the political history writing of today, Raoul Palmgren represents an alternative conceptualization of politics that was not tied to fixed Eastern or Western models. His innovative elaboration of new political key concepts reminds us that, during the immediate post-war years, politics in the labour movement featured attempts to build a political line that was suitable for specific European and national conditions. In the end, the national and European framings of left-wing politics were narrowed down by the development of the international situation. Raoul Palmgren's line of battle for hegemony was linked to a more general perspective of the European left, and to the elaboration of the strategy of 'European revolution' in a situation where Eastern and Western models of the politics of leftist parties had not yet totally departed from one another. As long as the Left seemed to broaden its support in Western Europe, it was also possible in Finland to seek opportunities to break the old power structures through peaceful means. When the Cold War divided the political spectrum into opposite camps, this window of opportunity was closed. During the post-war years however, the European perspective and Raoul Palmgren's strategy of the struggle for hegemony were an integral part of left-wing politics that went beyond the later East-West division.

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NOTES ON THE THEORY OF NATIONALISM

JUSSI PAKKASVIRTA

What – and how – to define?

In his 1926 essay on nation and nationalism, Carlton Hayes admits that there is no consensus on the exact meaning of the nation. Even fifty years on, in 1977, after decades of intensive research had been conducted on nationalism in various academic fields, Hugh Seton-Watson could only agree: the nation defies a precise scientific definition. A few years later, while aiming at a Marxist analysis of nationalism, Tom Nairn stated that the biggest historical failure of Marxism was the inability to formulate a theory of nationalism.[1]

In this essay, I will focus on some 'classical' texts of theories of nationalism, and will not go to the latest discussions on primordialist, ethno-symbolist or populist essence of nationalism.[2] I will also omit many typological discussions on the nature of nationalism's origin. In this way, I take the privileged and risky role of the historian by selecting my sources.

This does not mean that the recent rich discussions on the nature of nationalism would be entirely excluded – but it is honest to say that I situate myself in the modernist school of 'explanation' of nationalism.

In short, it has been taken as given both in the liberalist, positivist, structuralist and post-Marxist academic tradition that the rise of nation-states and nationalism is an inevitable historical development. The progress, or civilization process, assumed to have a linear nature, will by definition lead towards more developed social structures. The age of nation-states

1 Hayes, Carlton (1926) 'What is Nationalism?' In *Essays on Nationalism*. New York: MacMillan Co., 2; Seton-Watson, Hugh (1977) *Nations and States: An Inquiry Into the Origins of Nations and the Politics of Nationalism*. Boulder: Westview Press, 5; Nairn, Tom (1981) *The Break-up of Britain: Crisis and Neo-Nationalism*. London: Verso, 305. See also, Palmer, Steven (1990) *A Liberal Discipline: Inventing the Nation in Costa Rica and Guatemala, 1870–1900*, Ph.D. Dissertation, Columbia University, 22.

2 See more, Billig, Michel (1995) *Banal nationalism*. London: Sage; Özkirimli, Umut (2000) *Theories of Nationalism. A Critical Introduction*. New York: St. Martin's Press; Pakkasvirta, Jussi & Saukkonen, Pasi (eds) (2005). *Nationalismit*. Helsinki: WSOY.

and nationalism(s) could therefore be seen as part of the continuum.[3] Most academic traditions have considered the liberal or bourgeois state a key ideological construct, while anthropological scholarship, in particular, has aimed to interpret nationalism as a cultural process. One of the main issues, still today, seems to boil down to the question of whether culture comes first in the processes that produce nationalism (or give rise to interpretations and ideological reflections of new historical situations in general) or whether 'culture' is a product of historical politico-economic processes.

All derivatives of the word *natio*[4] in social and historical sciences appear conceptually contested. The nationalist debate in social sciences resembles the historical debate on the origins of capitalism. At a general level, there is certain historical consensus of the nature of capitalism, industrialisation and of the globalised modernization process that was set in motion by capitalist expansion. At the outset, nationalism would appear to be part of this Eurocentric 'civilisation process'. We also often talk about nationalism as a problem-free phenomenon brought about by the liberal state, as a 'second-generation' ideology of the bourgeois society. And yet, there is no set definition of nationalism acceptable to all. Is nationalism a cultural process, or an ideology, a style of political community, a mental state arising from the changing perceptions of historical time, a kinship relation or a neo-religious phenomenon, a haven of safe communality in a modernising and secularising world? Nationalism seems, in fact, to be all of these. In the course of its 200-year history, it has become clear that rather than just an inevitable product of nation-state development, different kinds of nationalism have been and are produced by different historical situations.

The study of nationalism has long remained Eurocentric. This is understandable, as the concept of the nation-state and the concomitant ideology are the offspring of European Enlightenment, Romanticism and Liberalism. The birth of nationalism is often dated to the American and French revolutions, even if most of the current 'nation-states' are less than 65 years old. Also, even in the latest text books on nationalism, the cradle of nineteenth-century republicanism, Latin America, is side-tracked and only visited for illuminating examples. The scholars who have made the most interesting

3 The idea to connect nationalism with the development and progress is evident in classic works of liberalists (Adam Smith), romanticism (Johann Gottfried von Herder) and Marxism (Karl Marx, Friedrich Engels). Also Georg Wilhelm Friedrich Hegel understands the nation-state as a perfection of human development.

4 Other Latin concepts related to nationalism are *gens, populus, civitas, res publica* – even though coming from different etymological roots. See also Kemiläinen, Aira (1964) *Nationalism: Problems Concerning the Word, the Concept and Classification*. Jyväskylä Studia Historica Jyväskyläensia III, 18–25.

contributions to the theory of nationalism have mostly focused on Europe. This is despite the fact that nations beyond Europe are a fascinating area for the study of nationalism even within the European tradition and, at the same time, a necessary focus when studying transplanted European nationalism in the developing countries.

The idea that people of the same race inhabiting the same geographical area and sharing a language, religion and culture (an ethnic identity) also make up a natural national entity, spread in the nineteenth century in conjunction with a liberal state ideology. The peculiar nature of the history of nationalism is also evident in that the first 'nation-states', based on a republican idea of government, did not originate in Europe but in the Americas. The age of nationalism began when the United States became independent in 1776 and when the Latin American Creole states came into being in the early nineteenth century, although they cannot yet be seen as representing a 'pure' nation-state ideology. For example, the basis of the Americanism of the United States ('USAnism') was not in the ethnic or cultural identities, but in the definition that arose from mass immigration: 'Americans are those who wish to be'.[5]

Traditions of research

It has proved tricky both historically and theoretically to define universal and totalising concepts such as nation and nationalism, but there is wide consensus as to the elements connected with these concepts. For example, most scholars of nationalism deny the 'nationalist' claim that their states or 'people' have existed as nations since time immemorial. A pioneer in the modern study of nationalism, Hans Kohn maintains that nationalism 'as we see it' in history does not date further back than the eighteenth century and that the first nationalist representations were the American and French revolutions. At the same time, Kohn makes it clear that the sentiments usually identified as the basis of nationalism (including patriotism or love of your native area or home region) do not necessarily generate or count as nationalism. Rather, they are to do with certain facts – such as the geographical area, shared language and racial/ethnic background – which are present in nationalism, too, but in

5 Hobsbawm, Eric J. (1990) *Nations and Nationalisms since 1780. Programme, Myth and Reality*. Cambridge University Press, 88. Other obvious roots of Americanism are in Christian religion and in certain mysticism of the eighteenth century Constitution and Bill of Rights.

totally different guises. Kohn traces the roots of nationalism to eighteenth-century social and intellectual history of the European Enlightenment.[6]

Like Kohn, most social scientists and historians have located the origins of nationalism in the Enlightened and Romantic notions (especially those of Herder) of national sovereignty, and in the extension of Kantian rationality in the political community. Hegel's philosophy of history took the idea even further: the nation-state was the 'absolute spirit of the world' come true. Each culture had a right to live and develop in accordance with its own 'national' traditions. These ideas were condensed in nineteenth-century national movements. Nationalism was made into a necessary cultural and political framework in the ideology of the modern secular capitalist state[7]. This European model was transplanted to other continents in the nineteenth and twentieth centuries.

The expansion of nationalism is thus part of the process which changed the institutions and communal bonds upholding traditional or 'feudal' agrarian societies. The new focus on industrial capitalism and secular state has traditionally been seen as the key in the transformation. In a way, nationalism in the nineteenth century became the new 'civic religion' of the more 'modern' intellectual elites.

But how did nationalism – a new recipe for cultural and political hegemony in the nineteenth century – become universal? Applying European intellectual history into the study of political communities, Carlton Hayes and Hans Kohn suggest that nationalism spread almost unchanged and in tandem with the expansion and globalization of European/Western culture. We could therefore see nationalism as a by-product of European expansionism. This tradition of liberalistic idealism has also affected the hypotheses made within the modernization theory. These theorists, focusing on, for example, how European 'modern' values have been transplanted in cultures outside Europe, see nationalism as part of a linear development, which spread in stages from the European 'centres of modernization' – mainly Britain, France and Germany – to Eastern Europe and beyond. How well the copied and

6 Kohn, Hans (1944) *The Idea of Nationalism: a Study in its Origins and Background*. New York: MacMillan Co., 3–6. See also Kemiläinen 1964, 7–12.

7 The German concept *Volk* is originally more tolerant and 'universal' than what it was interpreted later by Herder, Hegel – or Hitler, see, Kemiläinen1964, 37–46. See also Pulkkinen, Tuija (1996) *The Postmodern and Political Agency.* Department of Philosophy, University of Helsinki, Helsinki, 143–165.

transplanted model of nationalism took root depended on how well the modern Western values had been integrated in the various societies around the globe.[8]

A more economic focus is found in the so-called 'world-system theory', which also takes a longer historical perspective. One of the chief proponents of the theory, Immanuel Wallerstein, considers nationalism a mere ideological side-track in the modern world system, that is, in the capitalist world economy. In his theory, historical capitalism is a system of constantly expanding capital accumulation. The modern world economy which evolved in the 'long sixteenth century' (1450–1640), has gradually spread from Europe to every corner of the world. In the last 500 years, the world has been divided into centres and peripheries, rich and poor nation-states, all serving the world economy and its homogeneous laws.[9] Nationalism does have a role in this system, but to Wallerstein it remains one of the ideological methods of capitalism and a reflection of the functions of the deep structures of world economy. Nationalism is thus overly reduced to economism, and it no longer makes sense to analyse it on its own, separate from the economic development.

This economic notion of nationalism is a follow-up of Marxist or socialist interpretations of nationalism, which assumes that nations will lose out as the basic units of the world economy. In the historical development, nationalism will necessarily transform into 'internationalism' and finally disappear altogether. To Marx, Engels, and Lenin, the era of the nation and its 'ideology' – nationalism – was an historical episode which would quickly be forgotten once the socialist societies took over. In the Marxist social analysis, the 'nationality policies' have almost without exception been overshadowed by the bigger picture of developmental theory. The idea was that while the study of nationalism might tell us something about the world, it would nevertheless do nothing to change it.

Perhaps Marx was right in saying that the capital has no fatherland. He forgot, however, that the workers of the late nineteenth century already had a fatherland of their own. Lenin stayed loyal to the principles of Marx and

8 Modernization theory is obviously very heterogeneous. Latin American cases are here quite interesting. The 'Extreme West' started to copy the European nation-state models for independent young Creole States already from the beginning of the nineteenth century – at the moment when most European powers – the creators of the nationalist recipe – were in a post-Napoleonic conservative and anti-liberal stage. See, for example, Kay, Cristóbal (1990) *Latin American Theories of Development and Underdevelopment*. London: Routledge, 1990, 1–7; Cowen M.P. & Shenton R.W (1996) *Doctrines of Development.* London: Routledge, 63–75, 457–467; Blomström, Magnus & Hettne, Björn (1985) *Development Theory in Transition*. London Zed Books, 19–26.

9 Wallerstein, Immanuel (1979) *The Capitalist World-Economy*. London: Cambridge University Press. Wallerstein, Immanuel (1983) *Historical Capitalism*. London: Verso, 1983.

Engels in his nationality policy. 'Separating in order to unite' was allowed as a strategic socialist tool. Rather than defining nationalism, which is part of a bourgeois ideology, Marxists and socialists have tended to define the nation as such and, for their tactical value, the nationality policies. Typically to a Marxist/socialist definition, Ernest Mandel argues that the nation is a product of a modern bourgeois class struggle. The bourgeoisie creates the nation in economic terms, because it has a need for common national markets. This is why they will eliminate all proto-capitalist, semi-feudal and corporative barriers of free trade. The bourgeoisie also creates a national unity in political and cultural terms in order to mobilise the masses against the previous ruling classes. By this Mandel clearly refers to the uses of nationalism as a tool of bourgeois ideological hegemony.[10]

Stalin was the first to disregard Marx's instructions and began to carry out nationalism in a socialist state and socialism in one country. After the turncoat Stalin, there has been no shortage of 'nationalist' leaders in the socialist countries[11] – the most incredible continuum of this strange process is North Korea.

Tom Nairn has attempted to analyse the origin and global spread of nationalism with a Marxist model that bears some resemblance to Wallerstein's world-system theory. Nairn argues that nationalism was able to spread because of the failure of the Enlightenment ideals of universal progress. To him, nationalism reflects the central contradiction in the capitalist world economy: capitalism progressed unevenly between and within the new political units, that is, the nations, and the riches were therefore also unevenly distributed. The capitalist logic operated both in the centres and peripheries of the world economy, forcing the political units into the same mould aggressively or as a defence mechanism. The shock that followed the spread of capitalism, says Nairn, caused the defensive reaction that we know as nationalism.[12]

It became abundantly clear especially in the peripheries of the world economy that the spread of capitalism did not equal increasing welfare.

10 Here we do not have a possibility to analyze more in detail the controversial concept of socialist nationalism. See, for example, Mármora, Leopoldo (1986) *El concepto socialista de nación*. México D.F.: Cuadernos de Pasado y Presente 96, and *La Segunda Internacional y el problema nacional y colonial*, I (1978) (Eduard Bernstein, E. Belfort Bax, Karl Kautsky, Karl Renner) and II (1978) (Richard Calwer, Karl Kautsky, Otto Bauer, Josef Strasser, Anton Pannekoek). México D.F.: Cuadernos de Pasado y Presente 73;74.

11 On Soviet patriotism and internationalism, see also, Törnudd, Klaus (1963) Soviet attitudes towards non-military regional co-operation. Helsingfors: Societas Scientiarum Fennica, Commentationes Humanarum Litterarum XXVIII.1, 56–60.

12 Nairn 1981.

According to Nairn, the elites in the peripheries sought political solutions that would have allowed their countries independent capitalist progress without the imperialist exploitation by the centres of the world economy. To make this capitalist utopia come true, the aim was to create a unified population also in the peripheries. The goal was one language and a homogeneous national culture. This process which invited the lower classes to join in the nation-building has been labelled as populist by Nairn. The people were mobilised in a fight for the fatherland through a sentimental and imagined national culture. Nationalism was the only cultural tool that could respond to the tremendous and unexpected changes brought about by capitalist 'progress'. Nairn argues that in the end capitalism always equalled capitalism in one particular country, and that the relationship between nationalism and capitalism reflected the hidden networks that bind the societies together.[13] It is here that Nairn crucially departs from Wallerstein's world-system theory. Michel Billig's later concept on 'banal nationalism' is recognizably related to Nairn's framework of nationalism.

In short, Nairn sees nationalism as an irrational and sentimental failure of the universal ideals of progress, reflecting the capitalist relations of production. Nairn's view is also the opposite of the liberal tradition which sees nationalism as a triumph of Enlightenment values. Anthony D. Smith, for example, maintains that nationalism represents the eighteenth-century ideals that fought against the elitist view of the society through utilitarian values, secular education, individual thinking, commonly shared symbols and national memory. Nationalism emerged when the new elites, educated in the spirit of liberalism and progress, took upon themselves to educate the people in order to root out 'feudal' values, and when it was possible, to control the rapid changes that followed industrialisation.

Despite their best attempts, liberalistic idealism, modernization and world-system theories, traditional Marxist and neo-Marxist interpretations fail to answer several key questions – or at least the answers are too simplistic. Why has nationalism been so attractive globally? Why does it hold such a privileged and universal political value even today, with such a deep-rooted cultural legitimacy? What are the political or cultural circumstances that have given rise to the nationalist model? What are the conditions for the rise of nationalism – or different kinds of nationalisms, rather – in different social situations? Why and how does 'nationalism' work? The various structuralist views, based on the economy, do not explain why some nations correspond to their internal markets while others do not. In liberalism, nationalism roots

13 Nairn 1981, 320.

out the authoritarian state tradition or is regarded as a national spirit which makes political units into sovereign progressive entities, although it, too, fails to explain why some almost sovereign political units sometimes merge with bigger ones without any significant rise of collective national awareness.

For these reasons, many scholars of nationalism have come to the conclusion that it is impossible to find an 'objective' scientific definition for the phenomenon. This is why nationalism now attracts subjective rather than objective definitions. An ultimate circular definition of nation and nationalism can be found in Victor Alba, for example, who claims that even if many obvious elements change places in the various definitions of nationalism – including a united area, language, religion, culture etc. – they nevertheless contain one vital ingredient. People feel, believe or know themselves to be members of a nation. This means that the nation needs to be defined subjectively in the end, as if it were a common awareness of being part of a nation. To Alba, the nation therefore exists because this is what people think – and this is how they think because the nation exists. We will not get very far with a definition like this.[14]

Hans Kohn argues that nationalism is 'a state of mind inspiring the large majority of a people'. To him, the nation state represents the ideal form of political organization, because this 'nationalist state of mind' is the source of cultural energy and economic welfare.[15] For his part, Hugh Seton-Watson maintains that a nation exists when enough members in a community decide that they constitute a nation or act as if they did.[16] Many anthropological definitions on ethnocentrism, too, bear a resemblance to subjective definitions of nationalism. For example, this is how Dominique Perrot and Roy Preiswerk define ethnocentrism:

> *Ethnocentrism is a certain group's attitude by which they aim to gain a leading position in relation to other groups, to appreciate their internal relations and particularism and to display an internally homogeneous reflection to those outside the group.*[17]

Subjective definitions of nation and nationalism appear at least as deficient as the above 'objective' attempts at definition. It seems that the most fruitful way

14 Alba, Víctor (1968) *Nationalists without nations. The oligarchy versus the people in Latin America.* New York: Preager, 9.

15 Kohn 1944, 16.

16 Seton-Watson 1977, 5.

17 Perrot, Dominique & Preiswerk, Roy (1979) *Etnocentrismo en historia*. México D.F.: Editorial Nueva Imagen, 54.

to understand nationalism is one which would combine the non-deterministic analysis of economic and political structures with cultural ideas and subjective concepts and collective mentalities – or with modern or postmodern 'styles'. This would also introduce 'objective' criteria to the interpretation of largely subjective phenomena. As far as I can see, cultural and ideological phenomena cannot be analysed in isolation from the political and economic context. Tendencies such as these had perhaps too much emphasis in social sciences during the 1990s, and still have.

Imagined political communities

We have to make certain choices in studying nationalism, because it has proved such a problematic concept. What follows is an attempt to define nationalism as the *construction of the world and world-view* that takes place in a modernization process. A nation, on the other hand, can be defined as a *culturally and politically imagined community*.[18]

NATIONALISM AS 'A CONSTRUCTION OF THE WORLD'

Nationalism has been interpreted theoretically in social sciences and anthropology, but these models have not in any fruitful way met the extensive tradition that has interpreted the phenomenon in a historical context. This has been a constant problem in the academic discourse on nationalism. It is partly for this reason that nationalist theory lacks a comparative historical background. An interesting challenge to both historians and social scientists is presented by Johann P. Arnason, an Australian sociologist. Briefly touching on the classics of nationalism, Arnason elaborates on the ideas of the modernization theory and globalization. Proponents of the modernization theory have seen nationalism as unifying and standardising the society and spreading – or force-fed – from the centre to the peripheries. Arnason prefers to look at nationalism as constructing the world rather than as an objective structure. The essence of a nation is a culturally determined totality. The underlying idea is of a modernization process, in which nationalism 'constructs' the world and world-view both politically and culturally.[19]

18 Breuilly, John (1996) 'Approaches to Nationalism'. In Baladkrishnan, Gopal (ed.) *Mapping the Nation*. London: Verso, 146–174.

19 Arnason, Johann P. (1990) 'Nationalism, Globalization and Modernity'. In Featherstone, Mike (ed.) *Global Culture, A Theory, Culture and Society special issue.* London: Sage Publications.

Anthropologists and theoreticians of the world-system theory have wielded a debate of the cultural and politico-economic nature of the processes that give rise to nationalism. Arnason's challenge fits in with this argument. He also briefly introduces interpretations by Anthony Giddens, which underscore the psychological and mental dimensions of nationalism.[20]

The relationship between culture and politics is crucially important in the analysis of nationalism. Modern nationalism can be understood as a way of the nation and state to uphold themselves through the citizens' cultural autonomy and the 'legitimate' power wielded by societal institutions. Interpretations focusing on the political element of nationalism start from the notion that at the heart of a nation lies the preservation of political and statist autonomy. The nation is a political community defined by the dimension of power and authority.[21]

In analysing the relationship between culture and political power, Arnason makes use of Ernest Gellner's interpretation of nation and nationalism. Gellner begins from a political angle and sets the political units in a cultural framework by claiming that nationalism is a theory of political legitimacy. It controls the process whereby ethnic and political boundaries become one.[22] Gellner maintains that the cultural and political merger (or the aim at such a fusion) is not inbuilt in the concept of the nation. It is nationalism – when combining the nation-building and different historical variations of national identity[23] – that is the corner-stone of a genuine nation state. So, nationalism gives birth to nations, and not vice versa. It creates the collective identity that makes the nation. Nationalism is also an instrument and comes complete with a dimension of power. The nationalist construction of the world usually takes place from top down. It is the power elites which have normally transferred their nationalist world-view to the masses. A case in point was the new secular education systems adopted from the church by the state.

In Gellner's definition, too, nationalism is a way of constructing and maintaining the world within a nation state. Arnason, however, criticises Gellner for not analysing closely enough the intimate relationship between cultural and power structures. This criticism is partly founded in Gellner's way of seeing the emergence of nationalism purely as a result of the developing

20 Giddens, Anthony (1985) *The Nation-State and Violence.* Cambridge: Polity Press.

21 Tiryakin, Edward & Nevitte, Neil (1985) 'Nationalism and Modernity'. In Tiryakin, Edward & Rogowski, Ronald (eds) *New Nationalisms of the Developed West.* London: Allen & Unwin, 57–86.

22 Gellner, Ernest (1988) *Naciones y nacionalismo*. Madrid: Alianza Editorial, 14.

23 Identity – with 'ethnic' – is also quite complicated concept within the theory if nationalism. See, for example, Saukkonen, Pasi (2005). In Pakkasvirta & Saukkonen (eds).

industrialised society. This society coupled with the need of division of labour and mobile work force necessitates a homogeneous culture within the state. Like the Marxist tradition and world-system theory, Gellner also focuses on the economy in explaining the development of nationalism. This is how nationalism only reflects a post-industrialist situation in again reverting to a 'second-generation' phenomenon of a liberalist state.

Arnason's idea of nationalism as cultural globalization has interesting theoretical and methodological dimensions. To a historian, however, Arnason's nationalism poses one overriding problem: his analysis of globalization remains at a quite general level in explaining nationalism, even if he sets out to criticise the fact that historians and theorists of nationalism within social sciences fail to meet. We could also find fault in Gellner's generalism, reducing as he does nationalism to industrialism. If Arnason had investigated nationalism more in its historical context, he might have found his globalization analysis boosted by several simultaneous developments, including the change in the concept of time frames, which was in no small measure brought about by the nineteenth-century mass media (to consider, for instance, the growing national and global information of simultaneous events). His short but valuable essay also lacks some important interpretations of nationalism, which would have given more background to the model of world construction. By this I'm referring most of all to Benedict Anderson's publications to Eric Hobsbawm on nationalism.[24]

NATION AS 'A POLITICAL COMMUNITY IN ANONYMITY'

Benedict Anderson, an anthropologist examining the prerequisites of nationalism, follows Gellner and Arnason in giving 'space' for nationalism, i.e. away from the strictest concepts of ideology, structures or traditional politological approaches. Nationalism is quite problematic if it is defined as an ideology, because it is presented in all twentieth-century political ideologies and state models. Anderson sees nation as a sovereign imagined political community that is automatically bequeathed to the next generation. This 'community' is the result of the modern time-space concept, expanding mass media and the national education systems, once people have started to understand that there are thousands of people in the same region at the same time that they do not necessarily know. Nationalism to Anderson is

24 Anderson, Benedict (1983; 1991) *Imagined Communities. Reflections on the Origin and Spread of Nationalism.* London: Verso; Hobsbawm (1990); Hobsbawm, Eric J. & Ranger, Terence (eds) (1983) *The Invention of Tradition*. Cambridge University Press.

not a political liberalistic ideology, but should rather be discussed in terms of religion or kinship.

In the group of 'classical modern' theoreticians of nationalism, Anderson is also the one to throw most light on the origins of non-European political communities. It's just a pity that his classic concept of the nation as 'a politically imagined community' is quoted in such shallow terms, still these days. We would probably do more justice to his ideas by using his term of the 'community in anonymity.' His *Imagined Communities* is better read as a hotbed of ideas. Anderson's work may not perfectly explain the nature of nationalism, but he is able to excellently describe the prerequisites of nationalism and nation state.

A key Andersonian idea is the change of pre-modern temporal concepts and the concomitant idea of the 'plural worlds', that people are aware of different but simultaneous social, cultural and political processes. This is a crucial difference of the nation-community in comparison with the networks keeping previous, or pre-modern, societies together. The world of the plurals was beginning to emerge in nineteenth-century literature, for example, in novel structures, or in the growing significance of the newspapers. It was therefore easier to understand contemporaneous events and to 'know the unknowns', that is, similar people who lived somewhere else but nearby at the same time.

Our time frames have changed little since the nineteenth century, which is why collective elements boosting 'imagined' security have so far remained the same. We may think that today's information networks and information society will change these time frames, but in fact the change serves only to strengthen the contemporaneous time frame and the idea of the plural worlds, which Anderson sees as one of the key prerequisites in the birth of nationalism.

According to Anderson, the nation is '*imagined* because the members of even the smallest nations will never know most of their fellow-members, meet them, or even hear of them, yet in the minds of each lives the image of their communion'. The nation has been 'imagined as *limited* because even the largest of them [...does not imagine] itself coterminous with mankind'; 'imagined as *sovereign* because the concept was born in an age in which Enlightenment and Revolution were destroying the legitimacy of the divinely-ordained, hierarchical dynastic realm'; and 'imagined as a *community*, because, regardless of the actual inequality and exploitation that may prevail in each, the nation is always conceived as a deep, horizontal comradeship'.[25]

Anderson argues that cultures and peoples have met with the existential questions of life and death by constructing myths, identities and imagined

25 Anderson 1991, 6–7.

communities in order to face the scary world. Nationalism was an answer to this kind of question – that new nineteenth-century ideas such as bourgeois liberalism and Marxism were unable to respond to. Religions had previously served this function by at least trying to answer the mysteries of life, existence and death. Nationalism came and promised that you could die for your fatherland or that your own nation was sacred and eternal. The Andersonian nationalism is best condensed in the tombs or memorials of unknown soldiers.

In western Europe, says Anderson, nationalist thoughts would fill the void left by secularisation. In a secular world, nationalism created a vital feeling of communal security. Following the European expansion and the liberalist nation state, nationalism became an ever more universal phenomenon.[26]

Historian Eric Hobsbawm claims that nationalism cannot be defined objectively 'a priori', and that subjective definitions of nationalism have led to suspicious and tautological 'a posteriori' interpretations. According to Hobsbawm, the concept of ideology fails to identify nationalism, as every single modern ideology of state – socialist, bourgeois, populist or fascist/dictatorial – has always had to justify itself and seek popular legitimacy one way or another. Almost without exception this has taken place through nationalist mass media and the construction of national myths. This patriotic information has often sought to turn people into 'good citizens' of the nation state, no matter what the legitimacy of the state. That is why nationalism has to be more than just a bourgeois ideology, because it appears more like a mobilising force in different state ideologies maintaining and strengthening the 'legitimacy' and stability of the nation state.[27] How this process has succeeded or failed is one of the reasons behind why only reasonably homogeneous nation states or blocs that have created their own market areas have managed to 'make it' in capitalism. This is why stable nationalist projects have so far had a quite limited success outside Europe and the United States, with the possible exception of Japan.

The problem with Benedict Anderson's macro-historical approach is that his analysis breaks off at the point where nationalism finally became universal as the model of world construction. At the same time 'leftist' or 'socialist' nationalism emerged both in Europe and the previous European colonies. Anderson divides the history of nationalism into three phases: 1) Creole nationalism in the Americas; 2) nineteenth-century populist, linguistic nationalism in Europe; and 3) official conservative nationalism, which came

26 See also Tønnesson, Stein & Antlöv, Hans (eds) (1996) *Asian Forms of the Nation*. Richmond: Curzon Press, 3–13.

27 Hobsbawm 1990.

about as a response to populist nationalism shattering the power structures. There is also a 'fourth nationalist phase', which could be situated in the global triumph of the nationalist idea following 1918. Hobsbawm has maintained that the new 'nationalist' movement, which finally mobilised the masses within the nation states, was a social revolution rather than a principle of national sovereignty. Although this is true in Europe, in Latin America, for example, the social revolution and the principle of national sovereignty created an interesting blend of anti-imperialist nationalism – inside independent nation-states – against growing US influence.[28]

This fourth phase of nationalism continued globally in anti-colonialist freedom fights in Asia and Africa, first in India in the 1940s and then in the African independence wars of the 1960s. This could be interpreted also as the fifth wave of nationalism.

Anderson's interpretation of the prerequisites of nationalism is rewarding to scholars of nationalism, most of all as a methodological tool. The intellectual historian can break away from the most complicated nets of the concept of ideology. We have to note, however, that Anderson is also a post-Marxist anthropologist and often interprets nationalism as a tool upholding and legitimizing power – and when we have a tool, we also have somebody to consciously use that tool. We therefore come close to the traditional Marxist terminology of ideology: nationalism amounts to 'false consciousness', which is used by the ruling class to send the citizens (proletariat) to wage war, for example, to defend the 'national interests'. This is nevertheless not contradictory to understanding nationalism more broadly, as constructing and maintaining the world and world-view, which is present at all social levels. The sons of the rich have also fought their wars, and, during the national era, many times very closely together with the lower class soldiers.

It is also possible to look at Anderson's thoughts – and to diversify our analysis of nationalism – by examining Antonio Gramsci's ideas on hegemony. For Gramsci – synthesizing and simplifying his theory of cultural domination and the ruling class – hegemony is an ideological totality that defines the world view in capitalist (and socialist) 'nation states'. According to Gramsci, every state is an 'ethical' or 'cultural' state that follows a plan, exhorts and

28 In the second edition of Imagined Communities (1991), 47–65, 187–199, Anderson puts more emphasis on nationalisms of the ex-colonies but his analysis of the Latin American cases is based on very narrow literature (mainly Lynch & Masur) and remains quite imperfect. See, Pakkasvirta, Jussi (2005) ¿Un continente, una nación? Intelectuales latinoamericanos, comunidad política y las revistas culturales en Costa Rica y en el Perú (1919–1930). San José: Editorial de la Universidad de Costa Rica, 44–45.

encourages, makes demands and punishes.[29] This is also the multidimensional and 'nationalist' basis how the dominant nation-state hegemony and national institutions control the power and exert over their citizens. Another tool for understanding the Andersonian 'imagined communities' is Michel Foucault's interpretation of a 'panoptic' all-seeing society that watches and punishes its members, of a society that socialises its citizens by force.[30]

Conclusions: mentality, feelings and nationalism's style

Nationalism can be interpreted as a structure deeper than mere views or ideologies. Even if researchers such as Anderson, Arnason or Hobsbawm leave the term 'mentality' out of their analyses, their ideas are clearly similar to those in the so-called history of mentalities. My theoretical basis of nationalism as a construction of the world could therefore be understood as a 'nationalist mentality'. Nationalism reflects long-term mental changes (values, norms, and the 'psychology' of the masses also on the individual level). It is obvious that other features, too, connected with the concept of mentality tie in with nationalism. In several countries the prevailing mentality at a certain time has been nationalism, or at least it has been a key ingredient of the 'national mentality'. Seen like this, nationalism and mentality both amount to the way people react to external structures conditioning our actions.

What is nationalism then? Religion's kind of feeling, style of political community, imagined historical story of a group of people (decorated with local territories and historical frontiers), combination of hegemonic discourses of different local groups and elites, mentality – or memorials of popular heroes, maintained by their admirers and local fan clubs? My more mainstream conclusion is that nationalism is a human strategy and successful socio-cultural recipe of the construction of the surrounding world, affected by various political and cultural modernization processes. The nation is a political and cultural community, a result of a process where subjective and communal imagination meets social structures.

What is most important, though, is the fact that the approaches presented above help us to 'read' nationalism anew in historical sources. It is not always necessary to look at new archives, since a researcher can also rely on such familiar sources as press and media, architecture, statues, literature and other

29 Gramsci, Antonio (1971) *Selections from the Prison Notebooks*. New York: International Publishers, 247.

30 Foucault, Michel (1979) *Discipline and Punish: The Birth of the Prison*. New York: Vintage Books.

quite traditional sources of historical research. We just need to re-interpret our sources, generation by generation, again and again.

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A NORDIC CONCEPTUAL UNIVERSE

HENRIK STENIUS

What are the uses of conceptual history in the analysis of *Norden* as a historical region? To even begin to answer this question requires an appreciation of a shared, exclusively Nordic, conceptual universe.

My argumentation is complicated by a couple of theoretical considerations and hurdles. What is a 'conceptual universe' and does it work as an analytical tool? And does 'historical regions' serve as a viable tool of analysis? What does it entail that *Norden* should be a historical region? What could be considered as the formative elements that make *Norden* Nordic; do these elements have a common formative period such as a common path to modernity, or should a Nordic *Sonderweg* be traced back to prior or subsequent processes?

The only premise that this article takes into consideration is that the path to modernity was a decisive formative period of a Nordic *Sonderweg*. I will thus argue that the Nordic countries share a specific path to modernity.

In analysing this Nordic path, I had best focus on the tension between what I will call a non-verbalised 'web of belief' (Marc Bevir) and a proper conceptual universe. The social institutions are in all societies grounded in underlying ideas, conceptions and visions. This is the 'political imaginary' that Cornélis Castoriadis talks about, providing the space in which political actions take place. In the Nordic pre-modern societies, the political imaginary included non-verbalised principles or a web of belief that constituted the political order.

In contrast, a conceptual universe is a collection of related key concepts and counter concepts which create a political imaginary imbued with these verbally expressed, discussed and contested key concepts. Modernisation in the Nordic countries introduced a modern conceptual universe by transferring concepts and discourses from the core of Europe to the Nordic countries. The new political imaginary was thus a culture of translations, where the actors digesting the European key concepts first had to think their thoughts in a European language before trying to articulate their thoughts in their national context, possibly but not necessarily in their vernacular language.

Modern key concepts were European concepts. Adjusting the concept was a process of transfer. In the European core regions transfer involved reciprocal entanglement. Pre-modern Europe was a configuration of asymmetrical relations meaning among many other things that there was no real reciprocity

between the core regions and the realms of Northern Europa, Denmark and Sweden. The more sophisticated and elaborated the Nordic conceptual universe became, the more European the universe would grow while also preserving its own intellectual autonomy. In the end, a common European conceptual universe came to be a mixture of conceptual universes, a complex configuration of parallel regional and country-specific conceptual universes, existing side by side and overlapping at the same time.

* * *

But let us digress to be clearer about the point of creating a specific Nordic conceptual universe. Let us wander into the discourse of the *graphs of modernity*, or the question of how appropriate Koselleck's metaphor of *Sattelzeit* is for catching the gist of the formation of a modern conceptual universe. The pre-modern German-speaking world, which lived with a set a key concepts with a robust history and roots in Ancient Europe, was suddenly, in the mid-eighteenth century, launched into a phase a contestation and re-conceptualisation. This phase only ended a hundred years later when the modern parameters of the key concepts of the German-speaking world were finally fixed. Although Koselleck himself never prioritised this metaphor, *Sattelzeit* nevertheless became powerful and frequently used, and one can argue that within the German-speaking world the metaphor works fairly well. In this comparatively static pre-modern part of Europe, there was a rich European conceptual universe articulated mainly in non-German languages. And then this tranquil and equable culture got thrown into a phase of radical changes, social, cultural and political. During the German *Sattelzeit*, which Koselleck unrigorously defines as the century from 1750 to 1850, the society based on privilege transformed itself into a capitalist society of classes and entrepreneurs. Such a transformation meant an ideologisation, politisation, democratisation and, most of all, a temporalisation of the political and social concepts. The idea with the *Sattelzeit* metaphor is that this period established path dependencies which proved crucial for the way that the German society worked in later periods.

However, this metaphor, or graph of modernity, has not been approved without resistance by scholars working on other historical regions.[1] In the history of England, for instance, one cannot identify a similar sharp transition

1 In discussions on the metaphor of *Sattelzeit* with conceptual colleagues in Finland, the main resistance to its use for Finnish purposes has been that the *end* of a suggested *Sattelzeit* in a Finnish context seems impossible to fix.

from pre-modern society into a period of modernisation. In the English case, the corresponding graph has to be rather like a string of pearls with clusters of concepts organised along the timeline. This illustrates that modern key concepts were introduced into a modern conceptual universe in different periods of time during the centuries from the Renaissance on.

An appropriate graph for the formation of modern key concepts in the Nordic countries should acknowledge and communicate that modernisation did not entail that key concepts were modernised. Rather, they were imported. Instead of a *Sattelzeit*, one could in the Nordic case talk about a *Trichterzeit*, a funnel period, which does more justice to the year zero state of pre-modern North in this regard, when all of a sudden a funnel appeared through which the European key concepts were pressed, distilled and poured out as a uniform set of concepts. The funnel functioned as a vehicle for Nordic eclecticism and allowed Nordic actors to choose and combine different elements from European discourses into a new uniform set of concepts.

* * *

The funnel condition manifested itself in a political culture that pivoted around two basic principles that were more inborn and instinctively accepted than verbally acknowledged and theorised (and which can therefore hardly be regarded as concepts). According to the first principle, the gap between worldly and spiritual life should be bridged as much as possible (the Nordic syndrome of one-norm societies). According to the second, mechanisms of inclusion in different sections of society should be strengthened to a much higher degree than elsewhere in Europe. Together, these two tenets explain the making of *Norden* as a historical region different from the rest of Europe, where the formation basically took place in the Post-Reformation centuries.

More than in the rest of Western Europe, the Reformation in the two Nordic realms, Denmark and Sweden, brought the worldly (King) and spiritual (Church) power into an organic whole in which the worldly and spiritual officialdoms were two dimensions of one body of authority: no rivalry between the Guelfs and the Ghibellines; only one source of authority, legitimised, of course, by theological arguments, explicated by members of the 'learned estate', which in these two realms unambiguously meant the clergy – not, as in the other Lutheran countries, the clergy *and* the faculty of law, expressing two different sources of authority.

Conformist, one-norm societies in the North provided a fruitful soil for modern, universal practices of the Nordic welfare states. Such narratives on

Nordic modernity usually trace Nordic conformism back to an alleged cultural, ethnic and religious homogeneity. However, what seem to be even more decisive for the formation of the Nordic *Sonderweg* are the effective inclusion mechanisms in the Nordic realms of Denmark and Sweden. One should here look at the integration of the population into the process of production (alms should be given as little as possible; work instead of philanthropy); the pedagogical programme that efficiently rectified the ideological thinking of the subjects (Nordic ability to read in order to learn the basic article of faith, an ability which did not go hand in hand with the ability to write); the integration of the male population into local decision making (local democracy); the people's army based on duty and coercion instead of a paid army; and opening up possibilities for as broad a populace as possible to take part in the production and distribution of useful knowledge about how to make the productive life more productive. The space in the margin for *hospites*, outside the regular organisations of the local community – much populated in countries south of the Baltic and North Seas – was almost non-existent.

Whereas the principle of inclusion is difficult to analyse as a discourse about a key concept, the question of one-norm culture is slightly different: there are crucial historical documents marking out the linking between Church and Kind. We can therefore explore the second principle closer, that of the idea of a unified societal body where the Kingdom and the Church did not represent competing authorities. The Uppsala meeting in 1593 produced such documents, and these have later been considered a charter for the Swedish Kingdom and the Swedish Church. The meeting underlined the unity ('*samdräkt*') between the Kingdom and the Church, which the 1686 canon law also recognised. By analysing documents such as these one cannot, however, grasp in-depth the importance of this idea, or rather the related practices which made the Nordic countries Nordic.

The one-norm condition is a guiding light in the narrative of the Nordic *Sonderweg*, The narration of the one-norm society got new chapters later. Secularisation broke the relative symmetry of the bi-polar tension between Church and Kingdom/State. But the idea and ideal of a one-norm society remained.

* * *

One obvious digression for illustrating how particular the one-norm condition is in the North would be to contrast Zacharias Topelius' *roman à clef Tales of a Barber-Surgeon* (*Fältskärns berättelser*,1856–67) with Alessandro Manzoni's

The Betrothed (*I Promessi Sposi*, 1827), similarly a *roman à clef* and holder of a prominent position in the history of Risorgimento. Both books were written when the old society based on privilege was being challenged by new ideas of autonomous individuals with a liberty freely to sign contracts regarding their place in the production and re-production spheres (including the right to betroth the person you loved, which the novel shows was not easily achieved in pre-modern Italy). In order to picture a desirable horizon of expectation, both Topelius and Manzoni went back to the formative Post-Reformation period of the 1700s, which is a crucial phase in the European history of national comparisons. In this period they thought they could identify what was wrong with Italy and what was wrong with Finland, and thus point to a brighter future.

Here is not the place for any extensive analysis of Manzoni's splendid novel. What is important here is that even if the book is regarded as a cornerstone in the Risorgimento edifice, the book is not about 'Italy' but about modernity, about what sort of universalism accords with modernity.

Manzoni dissects the un-modern and thus unhappy Italian situation where a multitude of different kinds of authorities put their pressure on the individual citizen as well as on the public space as a whole. He analyses chapter by chapter the different agencies claiming their own specific type of power. The family is the institution that the rest of society relies upon, and should thus have a strong jurisdiction of its own. In this story, the parish priest is an unusually miserable character wielding his influence cowardly by abiding by what the bandits tell him to do. The local feudal lords are of a different quality, some corrupted, others not, but an inescapable category of authority all the same. The officials are likewise of different kinds. The administration of Milan, a city embroiled in crisis forged by the last big European plague, in the end take the responsibility for solving the crisis while wrongly identifying the hero of the book, Renzo, as a dangerous agitator. The bandits really behave like bandits, corrupting priests, officials and landlords. But they could be defeated, and even the worst of them could metamorphose into a repentant Lamb of God. The Cardinal of Milan represents all that is good in the Catholic Church: philanthropy, benevolence and acting as the primary defender of European cultural heritage. The monasteries as an institution are not to be trusted. And last, the law of nature and the law of economic intercourse one had better obey just because they are incontestable decrees. Describing this confusing pattern of competing authorities, Manzoni maintains that law and order is of course the key issue, although an obedient culture in Italy has to be adjusted to a system of multiple authorities. This is the message, even if the Italian readers of the book in the nineteenth and twentieth centuries will obviously

draw slightly different conclusions, emphasising the importance of a legitimate regime for all the different parts of Italy. This was not, however, spelled out in the novel. Italy was not an issue, neither was Spain nor the Habsburg regime of which Milan was a part at the time.

In *Tales of a Barber-Surgeon,* Topelius, follows the Bertelsköld and Larsson families from 1631 (the battle of Breitenfelt) until 1772 (*the coup d'état* of Gustavus III), in the soldiery, among the political elite in Stockholm, in the academic and semi-academic environment (alchemistic circles), and as landowners in the Ostrobothnian countryside in Finland. Leading the reader through events and plots of the most dramatic kind, Topelius all the while demonstrates that there always is the virtuous alternative route to choose. Temptations to deviate from this road of conformity are manifold: vanity and pride; free-thinking, atheism and Catholicism; and intellectual hubris, which overestimates man's capacity to master the world. In political terms, a virtuous life of this kind implies that man should stay away from sectarian companies of any sort and instead focus on the interests of national concord. The bad habit of focusing on one's own interests Topelius finds first of all among the aristocracy, who more than others misuse enlightened thinking for personal materialistic purposes. In the political programme of Topelius, there is hardly any need for a mediating political class between the ruler and the people (whether the ruler was a Swedish King or a Russian Tsar was secondary). There should be no competing authorities, and the loyalty to the monarch should, accordingly, not conflict with religious piety and devotion. Topelius wanted to show that despite language and social differences, there was a set of common, patriotic norms indispensable for the nation, which it was possible to show in the framework of the old Swedish realm. The significance of loyalty was, however, as crucial in the nineteenth century within the framework of the Grand Duchy of Finland as part of the Russian empire.

In these two novels, the question of modernity was not in the first place a question of an Italian or a Finnish nation as such, neither of Catholic nor Lutheran confession. What the problem of modernity in both these novel concerns is the principle of universalisms, the question of how to limit the space for the arbitrary and the depraved and how to cope with contradictory practices. Topelius exposes an inborn and instinctively accepted one-norm ideology, which becomes clear when we compare Topelius' novel with Manzoni's. For Manzoni, law and order, the fight against arbitrary rule, is crucial, but at the same time Manzoni demonstrates that modern man has to accept the existence of a parallel, sometimes even contradicting set of norms.

In order to understand the importance of the one-norm ideal of the Nordic *Sonderweg*, *I Promessi Sposi* is the right book to study.

* * *

In the last part of this article, I will present a selection of key concepts in four different groups according to when they were introduced and adopted as modern key concepts in the Nordic countries. I will comment on the concepts only briefly, only catchword-wise in order to put to the test whether it is a fruitful exercise to look for a common Nordic conceptual universe. A positive response to this question would then imply a challenge to organise empirical research more systematically on the issue.

Introduction of modern key concepts 1700–1800. The list of modern key concepts starts awkwardly with an unimportant concept at the time. This is the concept of *opposition*, which first appeared in a Finnish newspaper as late as 1867![2]). In the Nordic one-norm societies, the idea of *opposition* did not resonate on the mental map of the pre-modern Nordic man. The religious dissensions were not of a harrowing kind. The Reformation was led from above rather than as protests from below. The Reformation was successful in the sense that it stopped the Nordic societies from splitting up in antagonistic subcultures, as was the case in Germany, Poland, the Netherlands, Hungary and England. Neither did the 'second Reformation', the pietistic movement at the beginning of the eighteenth century polarise the society.[3]

Pietism and *enlightenment* were two political movements in eighteenth-century Europe that more than any others polarised and mobilised the citizenry in different camps. These two concepts were not only neutralised in the Nordic countries, but they also worked according to another logic, which was quite different from the polarising and mobilising logic the concepts had southern of the Baltic and North Seas. In the northern realms, the concepts referred to features that every person had to a higher or a lower degree. By this logic,

2 The article spelled the word both as 'opposition' and 'oppostition'. Both spellings were used in the early history of the word. In Finnish print first time 1872. This word began to be used more frequently only from the 1880s onward; www.digi-lib.fi.

3 It is illuminating to turn to the situation in Swedish Pomerania, which followed German, not Swedish practices: Pomerania had several competing judicial authorities. Also, Pomerania was severely affected by a series of religious controversies, and in this part of the Swedish realm pietism had a decisive polarising effect. Contemporary observers, too, were aware of the differences between the Swedish Pomerania and the rest of the Swedish realm in this regard. Pomeranian commentators belittled the conforming religious climate in Sweden, claiming that there were no debates or original thinkers in Sweden; Önnerfors, Andreas (2003) *Svenska Pommern: Kulturmöten och identification 1720–1815,* Lund.

the concepts acquired a pedagogical character pointing at a potential that each of us could be more devoted and enlightened instead of less devoted and enlightened. The concept could thus only with difficulty be used for distinguishing 'us' and 'the other'.

The ethnic and religious differences were small compared to the situation in the far south of Europe. Here the concept of *tolerance* became a part of the modern conceptual universe as a mark for a particular strategy of how to deal with difference. In the Nordic realms, there was little need for such exercises. Instead, 'tolerance', like the concept of enlightenment, gained a moral and pedagogical aspect, which emphasised the importance of patience: little by little one would understand what was best for oneself.

The consensual culture in the one-norm-societies became manifested also in concepts such as *knowledge* and *opinion,* which in the Nordic countries came to be particularly closely connected. They were introduced as eighteenth-century neologisms in the European languages in order to make a distinction between what is and what ought to be. This distinction became and remained blurred in the Nordic countries. One of Pauli Kettunen's favourite quotation, from a late the nineteenth-century source, states that good 'statistics' substitutes for 'politics'.[4]

Introduction of modern key concepts 1800–1860. The influence of the consensual culture is easily traceable also in the way key concepts were introduced and adopted in the period following the turbulent years of the French Revolution. While scouting out new, alternative or complementary ways for a legitimate political order and in substituting the supremacy of old dynastic principles, the political public in Europe focused on universal practices and universal concepts monitoring the new practices. In the two old countries, Denmark and Sweden, as well as the two new ones, Finland and Norway, the concepts of *people* and *nation* became focal concepts of political thinking, giving the regimes a new kind of legitimacy and in the end a new content of the concept of the *state*. Bernadotte's appearance on the political scene in Sweden expressed a change in attitudes. It showed that the dynasty was neither the only nor the ultimate source of legitimacy. The concepts of people and nation were bendable and mouldable, accommodating a tension that marks the political culture of the Nordic countries. The holistic morale of the concepts was a demand for actions in accordance with the interests of the whole. This announced a political competition about who had the right to

4 'Hyvä statistiikki korvaa politiikin'. Kettunen, Pauli (2008) *Globalisaatio ja kansallinen me. Kansallisen katseen historiallinen kritiikki.* Tampere: Vastapaino.

define what was in accordance with the interest of the whole. But the concept could alternatively be loaded with a democratic moral: by referring to the will of the people, one could force the political public to interpret the moral demand to ask the people what they wanted. This second alternative signalled the possibility of loosening up the one-norm ideal.

The European concept of *citizen* became the paradigmatic case of new universalistic thinking, which abandoned the idea of feudal and other corporatist privileges. According to the modern European concept of citizen, every inhabitant of a national polity should have an equal relation to the state. In the Nordic countries, this democratic principle was launched together with a strong national moral. Citizenship consisted not only of rights. In the Nordic countries during the formative period of the nation state, the obligations were as important in terms of a positive freedom to take part in the building of the national edifice. Such a heroic task was accomplished by working hard in the spheres of production and reproduction. Particularly important was the partaking in the *Sittlichkeit* project, a cultural and educational project in line with the Hegelian idea of the state as the ultimate objective of the citizenry. With such ethos, the education of the citizenry found a distinct German interpretation, which made the concept of *Bildung/sivistys/bildning* a crucial political key concept as a component of the concept of citizen. *Bildung* remained a political key concept not in every Nordic country, but certainly in Finland.

The Nordic conceptual universes in different Nordic countries were Nordic in different ways. The perceptions and the concepts of *official* and *officialdom* are one striking example that the nations were in the end consolidated differently in the different Nordic countries. Officials, whether government officials (*ämbetsmän*), civil servants (*tjänstemän inom den offentliga sektorn*), ministers of the Church, teachers or police officers not only personified the new state, but were also to a high degree responsible for the consolidation of the nation state. As such, they enjoyed a high social and political status, especially in Finland. What is interesting here are the differences, that the officials were not as beloved in West Norden (Denmark and Norway) as in East Norden (Sweden and Finland). In the West, it was socially acceptable to defraud and deceive an official, as was the tendency to realise one's social, economic and cultural project in the sphere of voluntary engagement, in voluntary associations which kept the spere of officialdom at arm's length.

Introduction of modern key concepts1830–1900. The nation state became the only thinkable frame for political thinking and societal action as a result of a smooth, rather short but effective period of transition. In this transition, the

idea of inclusion and the objectives of the one-norm society were effectively dealt with by *popular movements*. In the Nordic countries, these had a massive, albeit mostly passive membership, who found the membership important as a mark of social and political participation. Members of these associations wanted to be represented through the association. Such representation was subordinated to national interest and thus adjusted to the one-norm ideal. The popular movements were not opposed to stately initiatives but emerged as a new type of corporative regime based on a division of labour between state, municipality, church and associational agencies.

Nor did the *Church* play the role of antagonising the citizenry. The Church had only to a very limited degree been an alternative authority to the King and worldly power. Even the new revivalist movements of the nineteenth century were subordinate to the objectives of the nation to such an extent that they never left the national state church. The exception was Sweden, which could, like other old, well-consolidated states such as England, afford its citizenry the development of a dissenting culture of sects.

Secularisation did not threaten the one-norm ideals, either. It did not produce an antagonistic citizenry of us and them: on the contrary, there was a convergence in the sense that all of us are to some extent secularised (modern) and sentimentally touched by the Lutheran traditions.

One can even argue that the *elites* in the Nordic countries, regardless of their holding very different positions in the different Nordic countries, could adjust themselves to the ideal of inclusion and the one-norm ideal. The aristocracy lost formal power, but continued to accumulate economic resources and political influence, not as a formal elite but as being part of a competent part of the citizenry. The cultural elite was particularly 'inclusive'. The paintings they painted and the music they composed were not aimed for an inner circle of colleagues, but for the people. One should of course be careful with such romantic stands, but as a task for further empirical studies one could work with the hypothesis that the elite in the Nordic countries were more 'inclusive' than in other Western countries.

One particular expression of inclusion and the one-norm condition is the fact that the concepts of *state* and *society* became interchangeable. The counter concept of society was not the state but nature, which in the Nordic culture was equivalent to the sphere of authenticity. In order to construct a harmonious one-norm society, the individuals of the citizenry should regularly replenish authenticity by spending some time in the nature. While nature was a genuine alternative source of authority, it did not polarise citizens into us

and the other. It was rather a medicine we all are dependent on. We need it because we think it cures the alienation that comes with urban civilisation.

Introduction of modern key concepts after 1900. Democracy and *parliamentarianism* have not destroyed one-norm ideals. Parliamentarianism, introduced smoothly in the Nordic political culture without its provoking any anti-parliamentarian mobilisation, did not contradict consensual one-norm ideals. Not even Swedish bloc politics threatened the fundaments of the consensual culture.

Social democracy benefitted from 'conceptual history thinking' and made the most of the potential of the strategy of a monopoly of definition. In the 1930s, social democrats in Sweden in particular successfully launched and colonised the concept of *Nordic democracy* as an anti-totalitarian movement. It was then that Sweden started to become a player in world politics by offering societal models for others. However, one is able to see much earlier already, since the radicalism of the Scandinavian movement in the mid-nineteenth century, that there was a tendency to substitute ideological othering for a physical-dynastic threat. Such an othering became more pronounced from the 1930s onward. It focused on forces in different parts of the world that contradicted values defined as Nordic. *We* was perceived as the modern progressives and opponents of the authoritarian and antidemocratic forces of the world.

The narration of Nordic modernity is arranged along an unbroken line that remained uncut even by the Western *radicalism* of the 1960s. The radicalism brought more participation and more emancipation, but what was specific in Nordic radicalism was that it was to a high extent – especially in Finland – a process of a prolonged enlightenment that effectively resisted post-modern, pluralistic challenges.

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Pauli Kettunen has written that conceptual history aims to answer questions of *how* concepts are used and *why* they are used as they are. The why question can in the end be answered only by a reductionist argumentation, which identifies the causes in the social and political structures. Kettunen's point is that there are even more important questions for conceptual historians, such as *what* an historical actor says, *what* sort of content (s)he puts into the concept. This is a search for the intentions that can be regarded as one of the crucial imperatives in the humanities. This imperative seeks to give full credit to individuals, but

it is rewarding also because it brings to light individuality, exceptions, losers, contestations, dissent and new openings.

The argumentation in this article does not follow this path. As a piece of radical reductionism, it is not in accordance with what conceptual historians usually do. It represents an awkward sort of conceptual history, because it starts with the structures and then asks what kinds of concepts accompany these structures.

On the other hand, one may think that such reductionism is an effort to contextualise a repetitive manner of writing and speaking. One can argue that as such, it is necessary for identifying the unique conceptual moves.

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THE DANISH SOCIAL REFORM OF 1933
Social rights as a new paradigm by an accidental reform?

KLAUS PETERSEN, NIELS FINN CHRISTIANSEN AND JØRN HENRIK PETERSEN

The year 1933 was a dramatic year. The international economic crisis had reached new heights, the social and political effects were dramatic, and in Europe, the democratic constitutions were under pressure from totalitarian ideologies. In the United States, President Roosevelt launched his legendary New Deal programme to save the U.S. from collapse, and on the very same day that Hitler had taken over power in Germany, the Social Democratic Danish prime minister, Thorvald Stauning, could report that he (in his own words) had renounced a few principles but saved the country by entering into a major political compromise, the so-called Kanslergade Agreement. The agreement, named after Stauning's home on Kanslergade (literally 'Chancellor street'), was concluded between the Social Democratic Party, the Danish Social Liberal Party (*Det radikale Venstre*) and the agrarian liberal (*Venstre*, lit. 'Left'). The Kanslergade Agreement would become a milestone in Danish history. One part of the agreement was that the Social Democrats obtained the possibility to implement a major social reform that would not only bring together all major pieces of social legislation in four new laws, but also implement the principle of right based social provision and strengthen the role of the public authorities (state and municipalities). In this article, we examine the political process behind the reform more closely. It has often been viewed as part of the great Danish class compromise in 1933. In formal terms, this is correct. The events of 1933 created the possibility for the reform; but it had been long underway and was prepared long before the advent of the financial crisis. Here we will examine the intellectual history and origins of the social reform.

Taking our point of departure in a short presentation of the Danish social policy debate in the early 20th century, we discuss the social policy thinking of the Danish social democratic politician K.K. Steincke. In many ways, Steincke was a very atypical Danish social democrat. He was one of the very few who formulated fundamental ideas about the form and content of social policy. For Steincke, it was not just about higher or lower taxes or payment, but about the formation of a morally, socially and economically rational social political system. One of the sustaining ideas was the idea of social rights and the

Social Reform of 1933 has been praised as the breakthrough principle of legal based benefits (social rights) in Denmark.[1] In the chapter we take a closer look on Steincke's view on social rights (or the legal principle, *Retsprincippet*, as Steincke labelled it). We then examine how Steincke and his social policy ideas, in a rather random way, became the social policies of the Social Democrats at the same moment when the Social Democrats took political power. However, the reform still had far to go. It encountered considerable resistance, and only after several failed attempts to promulgate reform proposals in parliament did the reform succeed, just barely, in becoming part of the major red-green class compromise in Kanslergade 1933. What is today viewed a natural building block in the history of the Danish welfare model was for a long time controversial and heretical and might not have happened at all.

Danish welfare history around 1900

From a welfare policy perspective, Denmark is a pioneer, with a wave of social reforms enacted around 1900. These include public old age pension (1891), a new poor law (1891), sickness insurance (1892), workers accident insurance (1898), the law on child welfare (1905), and unemployment insurance (1907).[2] The Danish model, as it emerged on this background, was based on a blend of social policy principles: insurance, philanthropy, tax-financed care and help to self-help. The common features here were the application of the discretion principle (means and needs testing based on local discretion) and the state's beginning role; but there was great political disagreement about how the system should evolve in the future.

In the Conservative Party and among the dominant agrarian liberal party Venstre, there rapidly arose vocal skepticism about the social legislation. The critique especially concentrated on the growing role of the state vis-à-vis the market and families, growing public expenditure and taxes, and the weakening of the individual's responsibility for his or her own life and fortune. Social

1 Social rights is here seen as social legislation given the individual citizen claim rights and defining benefit level, conditions (for instance age) and other criteria (for instance income, family situation etc.). Cf. Walter Korpi, 'Power, Politics and State Autonomy in the Development of Social Citizenship: Social Rights during sickness in eighteen OECD countries since 1930', *American Sociological Review, 3* (1989), 314.

2 This legislation is described in Petersen, Jørn Henrik, Petersen, Klaus & Christiansen, Niels Finn (eds) (2010) *Frem mod socialhjælpsstaten. Dansk Velfærdshistorie. Bd. 1. Perioden 1536–1898*, Odense; Petersen, Jørn Henrik, Petersen, Klaus & Christiansen, Niels Finn (eds)(2011) *Mellem skøn og ret. Dansk velfærdshistorie. Bd. 2. Perioden 1898–1933*, Odense.

security might be a necessity for a modern society, but some restraint should be exercised. The right-wing rhetoric became significantly more acute when the Social Democrats and the Social Liberals not only took the lead but also the reins of government from 1929. It was especially the Conservatives who became articulate critics of 'The Stauning-Munchian Regime', especially including the expansion of the social sector.[3] In the Conservative 1933 programme, in connection with praise the idea of help to self-help, it was added that the party at the same time wanted to eliminate the principle of right based social benefits: 'Benefits without counter effort, being morally destructive for the nation's youth, and which the country cannot sustain.'[4]

The Social Democrats, however, established themselves from the beginning of the century as the party of social reform. The party promoted several proposals in parliament on new initiatives and improvements to the existing system. In some areas, the Social Democrats succeeded in getting a theme placed on the political agenda; for example, school lunches and a pension benefit for widows with children but until the 1920s, the right-wing parties were veto-players in the legislative process and controlled the specific form of the law. The veto power was due to their control of the upper chamber. There are several examples of act of social policy being accepted in the lower chamber only to be 'buried in the social mass grave of the upper chamber' (as it was put by a contemporary observer).

For the Social Democrats, the party's socialist objectives appeared far into this period as the definitive solution to the social problems caused by capitalism and liberalism. In this perspective, social reforms were considered as a means of alleviating basic poverty, but also as a preparation for the desired socialist society. A key player in the development of a more consolidated social democratic reform agenda was K.K. Steincke.

K.K. Steincke and his agenda

K.K. Steincke's major social policy work, 'The Welfare System of the Future' (*Fremtidens Forsørgelsesvæsen*, 1920) appeared as a result of Interior Minister Ove Rode and his Permanent Secretary Henrik Vedel having given Steincke paid leave in December 1918 from his position as department head in

3 (Thorvald) Stauning was the leader of the Social Democratic Party and (Peter) Munck of the Social Liberal Party.

4 Det konservative Folkeparti, 1933-program.

the local welfare agency in the municipality of Frederiksberg. The reason was that the Interior Ministry was 'considering moving toward a comprehensive revision of the Poor Law legislation', and wanted Steincke to carry out the preparatory work.[5] In the preceding years, the ministry had elaborated a major report on the Danish social legislation, which in 1918 had been published in three comprehensive volumes with Steincke as one of the authors.[6]

Steincke's social policy views were not unknown to the government. In the preceding decade, he had presented his ideas in an impressive number of books, articles and debate essays. Especially the books entitled 'Public Assistance' (*Offentlig Hjælp*, 1910) and 'Charity or Rights' (*Almisse eller Rettigheder*, 1912) had given a clear indication of Steinke's social policy thinking. What was path-breaking about 'Charity and Rights' was that Steincke had drawn the outlines of the principle of social rights, which were realized in the law about pensions for widowers with children (*enkebørnspensionsloven*) in 1913, in the 'Little Social Reform' in 1920s and carried forward with the social reform of 1933. The basic flaw in the system, argued Steincke, lay in the principle of charity, i.e., that the help was given according to the authority's unfettered discretion of need in each individual case. If the help was allocated under such forms that the recipient first had to have his feelings of dignity crushed, it would dull the sense of being an independent, autonomous individual. The task of the state was not to exercise mercy,[7] but to determine the citizens' rights. For Steincke, the charity principle was a threat to the individual's civil and political rights. If the individual's sense of independence and of character were to be strengthened, it was necessary that the individual be accorded rights vis a vis the public sector, genuine legally based social rights, the execution of which rested solely on the pre-defined conditions and not on a random discretion. Social rights, the legal principle, protected the individual, but it also protected 'society' and those who administered society's payments.

If one is to be believe Steincke himself, it was far from coincidental that the ministry selected him.[8] In a public lecture, the leading civil servant in the Interior Ministry Aage Schlichtkrull, had described the Danish social legislation as a labyrinth that would be difficult to unite into an organic whole, and he added that the man who had to carry out this major task was not yet born, much less found. Steincke's self-confidence – viewed by others as his vanity

5 See the preface to Steincke, K.K. (1920), *Fremtidens Forsørgelsesvæsen*, Copenhagen: Schultz, XIII–XIV.

6 Ministry of the Interior 1918, Danmarks Sociallovgivning, Vol. I-IV, Copenhagen. Steincke was the author of the chapters on fatherless children and school lunch programmes (enkebørnsloven, skolebespisning).

7 Steincke, K.K. (1913), 'Principiel eller opportunistisk Politik V', *Socialisten,* 11: 5–6.

8 Steincke, K.K. (1946), *Fra hele Valpladsen, Minder og Meninger*, bind 2, Copenhagen: Fremad, 59–60.

or arrogance -- led him to address Permanent Secretary Henrik Vedel in the Interior Ministry and inform him that this man had indeed been born 38 years ago. In December 1918, it led to the Ministry requesting that Frederiksberg Municipality freed Steincke from his official duties as head of department so that he could carry out the preparatory work for a thorough revision of the poor laws. Steincke's fellow party member, Minister (without portfolio in the war time coalition government) Thorvald Stauning, apparently played no direct role in the selection of Steincke as a one-man commission.[9]

Steincke showed himself up to the task. When, a year after the publication, he presented his work to the delegates meeting of the National Association of Municipalities (*Købstadsforeningen*), he courageously described his task as 'giving an overview of the last 2–3 pounds of printed matter, with which, by the ministry's good will, I have been able to bless upon society', and whose aim was to create system, determination, clarity and order.[10] Steincke chose not, as the Interior Ministry had requested of him, to limit himself to examining only the poor laws. He took up the entire welfare legislation. 'The Welfare System of the Future' was both a critical review of the existing social laws and a proposal for a systematic reform based on Steincke's ideas about social rights.

In the book's introduction, Steincke presented his theoretical point of departure in Marxism, which he preferred to call 'the economic view of history.' According to this view, the capitalist society consisted of a constant and undeviating tendency toward proletarisation of still larger population groups, and with the proletarisation came not only economic-social but also a moral weakness of the proletariat. However, Steincke concluded in a somewhat optimistic tone:

> *The social development described here through the last century is … of such a kind that it would have entailed even far more dangerous results, especially in cultural and moral respects, if efforts had not been made to ameliorate its effects through the increasing organization of the working class with its special ethics, built upon the feeling of solidarity, willing-*

9 Sode Madsen, Hans (1975), 'Indenrigsministeriets socialdepartment', *Arkiv*, 5. bind, no. 5, 166–188; Grelle, Henning (2008) Thorvald Stauning. *Demokrati eller kaos. En biografi*, Copenhagen: Fremad, 224–229. A short time earlier, Stauning had taken over responsibility for precisely the labour and social legislation from the exhausted interior minister, Ove Rode, but Stauning focused only on the labour law as such.

10 *Købstadsforeningens Tidsskrift,* 32, 1921, 43–50.

> *ness to sacrifice and subordination to the common economic and political goals, an ethic which, however, also wavers under the dissolving and confusing influence of the revolutions.*[11]

In Steincke's thinking, philanthropy was not among the instruments for improvement of the lower classes and those in need. Steincke was close to placing philanthropy on the dustbin of history because it represented

> *Sentimentality, generally false charity or nonsensical populist beggary… which only panders to the thoughtless part of the upper classes' narrowest egotism and Phariceeism, this harshness, this contempt for humanism, which can seem both arrogant and manly, but which for the serious, socially interested person is but proof of the person's ignorance of the poorest situated population's living conditions and hopelessness, and of his lack of more profound culture.*[12]

Steincke's point of departure was that there was no longer any disagreement about the necessity of social legislation between the major political parties. The conflicts were about its specific form (benefit level, recipients, conditions, financing etc.). It was Steincke's pragmatic viewpoint that if one is to construct a social law according to defensible principles, one needed to look at the historical development of the Danish legislation. The continuity could only be broken if there was necessary and adequate justification.[13] An existing arrangement could not be changed unless there was certainty about the negative effects and that the shortcomings could not be corrected, just as it should be demonstrated that there was an alternative that was better than the status quo, assessed on the basis of the purpose of the existing arrangement.[14]

Steincke praised the psychological consequences of the voluntary insurance plan, which increased people's sense of independence and awareness of their own worth, but in light of his demands for a change worthy of recommendation he rejected the idea of compulsory insurance (which was quite popular among the right-wing parties) because

- it did not have ethical advantages
- it was just as financially onerous on the public sector as was the existing arrangement,

11 Steincke 1920, 9.

12 Ibid., 10–11.

13 Ibid., 13.

14 Ibid., 32.

- present and future generations had to carry proportionally larger burdens,
- the premium would be experienced as unjust poll tax
- the ability to pay was not present
- it created a complicated, incomprehensible, circumstantial and expensive administration,
- as a large group were not able to pay the premiums it was nevertheless necessary that the arrangement contained an essential component of public welfare care
- it violated the historically given conditions.[15]

In Steincke's view, it was not a positive alternative to the once trodden path and instead focus should be on correcting the existing social security system. He therefore returned to his earlier critique of the charity principle[16] and found the necessary alternative in the principle of legally based social rights.[17] In this connection, he emphasized the importance of social rights on an equal footing with the civil and political rights.[18] This further meant that individuals had to organize their daily life so that they could manage with the legally determined benefits, which would promote both the will to work and thrift. It was essentially a liberal perspective, because it assumed that the individual had to make their own contribution if they wanted to achieve a given standard of living:

> *With the recognition of the legal principle, everyone obtains their right for a basic existence, but as this is a right, the public sector does not interfere in how much or how little money the individual himself has saved up, and the relationship becomes one that the individual who receives an old age pension as a right has the same interest in saving up for his old age do as other citizens; because he is exactly so much better off, financially speaking, than those who are wasteful and uncaring, as his frugality or energy has been transformed into saved assets. The growing expenditures that the implementation of the legal principle entails in the short run are gradually compensated by the principle's indirect effects, in that the desire to earn and save as much as possible does not become*

15 Ibid., 33.

16 Ibid., 172–175.

17 Ibid., 271.

18 Ibid., 272–73. Steincke thereby anticipated the argumentation found a few decades later in the work of British sociologist T.H. Marshall.

> *weakened, and thereby follows a changed view of the individual's position vis a vis the public sector.*[19]

At the time, this was a very modern viewpoint, as it argued that a public investment can in itself promote economic growth.

In the ongoing debate about discretion versus legal based entitlements in the allocation of welfare payments, Steincke went against his fellow party members in the Social Democratic Party who desired to retain the discretion principle in order to make it possible for social democratic municipalities to pursue more ambitious social political strategies. The legally founded social rights with strictly defined benefit levels would not only guarantee the minimum level but also limit the possibilities for raising levels locally as had happened in cities like Copenhagen, Århus and Esbjerg.[20] According to Steincke:

> *In the long run, the political struggle over the increasing humanization cannot be conducted by the individual municipality against their colleagues, nor does it belong here. It must be conducted in the parliament, where the viewpoints of the different parties and their influence will determine the course to be followed and the rules that should operate according to the legal principle.*[21]

Steincke was far from being an ordinary social democrat. His view of society rested upon a combination of English Christian socialism and Marxism, and his analyses and proposals were always permeated by ethical considerations. He was a biting polemicist, generally never in doubt about the correctness of his views. Where possible, he sought out support for his views and proposals in the social science literature of the time. Hence, his book contains a chapter describing the benefits and disadvantages of eugenics laws, and it was with Steincke as minister of justice that Denmark implemented the first national law on forced sterilization.[22] However, Steincke was also a reform politician who wanted to see results. In his view, economic-political power relationships posed an obstacle to radical breaks with the existing social order. From this point of departure, Steincke formulated his social political project in a balance between the socially-ethically desirable and the political-economically feasible.

19 Ibid., 274.

20 Kolstrup, Søren (1996) *Velfærdsstatens rødder. Fra kommunesocialisme til folkepension*, Copenhagen: Selskabet til forskning i arbejderbevægelsens historie.

21 Ibid., 271, 281.

22 Koch, Lene (1996) *Racehygiejne I Danmark,* Copenhagen: Gyldendal.

Beyond the discussion of the fundamental system properties, 'The Welfare System of the Future' contained a total reform proposal which would later become the basis for the great codification of social legislation, the father of which was Steincke, and which became the social reform of 1933. One after the other, the individual areas of social policy were thoroughly analyzed, criticized and an in the second part of the work, an effort was made to improve each area.

Steincke's work and reform proposals aroused attention, primarily in specialist circles. While everyone recognized the contribution of his work, its purpose and Steincke's insights into the Danish social legislation, there remained a degree of hesitation among others regarding the implementation of social rights. Several observers were skeptical about replacing the subjective discretion principle with the legal principle of social rights.[23]

'The Welfare System of the Future' and the political reality

The Ministry of the Interior published Steincke's work in 1920. It was a politically dramatic year, when Denmark, because of a coup attempt (the so-called 'Easter Crisis') saw three changes of government in March, April and May.[24] When the smoke had cleared, the Social Liberals had lost power, and Ove Rode was no longer interior minister. Under Niels Neegaard's two liberal-agrarian governments in 1920–1924, the post of minister of the interior was taken by Sigurd Berg, followed by Oluf Krag after Berg's death in the summer of 1921. However, even though both these ministers were well versed in the social legislation, they did not have the mind set to continue the reform efforts.[25] Steincke's comprehensive reform plans were therefore put into mothballs for better times. It should be mentioned, however, that the Neergaard government implemented the law on invalid pensions in 1921 – formally speaking, an insurance scheme – and the law on old age pensions in 1922, which was a de facto implementation of the legal principle in its calculation of the allowances.[26]

23 Nielsen, N.P. (1920) 'K.K. Steincke: Fremtidens Forsørgelsesvæsen', *Social Forsorg*, 16, 91–104 and 17, 1921: 31–41.

24 Kaarsted, Tage (1968) *Påskekrisen 1920*, Århus: Jysk Selskab for historie

25 According to Hans Sode Madsen 1975, 182–83, Neergaard would have maintained the idea of a genuine Ministry for Social Affairs, but the idea ran aground due to practical problems of occupying the various ministerial posts.

26 Petersen, Jørn Henrik (2006) *Den danske lovgivning om alderdomsforsørgelse II. Fra skøn til ret*. Odense: University of Southern Denmark Press, 305–339.

The better times apparently arrived in April 1924, when the Social Democrats, headed by Thorvald Stauning, formed the first Social Democratic government. However, it was Frederik Borgbjerg and not Steincke who took over the portfolio of Minister for Social Affairs in the new government (previously social affairs had been part of the Ministry for the Interior). Steincke became Minister of Justice. It was therefore initially Borgbjerg who had to carry out the reform work.

During the debate on the national budget in the parliament, on 29 October 1924, Borgbjerg presented several fundamental social policy ideas. The conclusion was that much had been achieved 'in the last era', but 'at the same time, I believe that the time is fast approaching when the social policy legislation of the last era should be taken up to a thorough, comprehensive and deep-going review, to have plan, systematic and coherent, also in the administration of this legislation, and in this respect the new ministry of social affairs can make an important contribution.'[27]

On this background, at a government meeting in August 1925, Borgbjerg proposed that a commission be formed that would draft a proposal for a 'codification of the social legislation'.[28] The former permanent secretary Henrik Vedel became chairman and among the members were the permanent secretaries from the Social Affairs and Interior ministries and a representative from each of the parties represented in the two chambers of parliament.

Ove Rode, who had helped get Steincke started in his work, was not satisfied with the dynamics of the work that Borgbjerg had initiated. During the Folketing's discussion of the budget in October 1926, Rode complained that the commission had held only ' one single preparatory meeting, although it already had a long life behind it.'[29] Borgbjerg could not totally deny that this was the situation, but he emphasized that it was nevertheless 'a two-day preparatory meeting', that the commission had initiated a major survey of the views of municipalities and public agencies on the matter, and this were complicated issues which demanded a long run-up.

It is difficult to say why the committee had not gotten any further with its work. One possible explanation is that Borgbjerg was perhaps not the right man at the right place. The exchange with Ove Rode could imply a

27 *Rigsdagstidende 1924–25*, Folketingets Forhandlinger, 882.

28 Olsen, Karen Marie & Madsen, Hans Sode (eds)(1976) *Kristen Bording. Dagbog over Danmarks første socialdemokratiske regering 1924–26*, Århus: Universitetsforlaget Århus, 89–90. The commission was finally approved at a cabinet meeting on 28 October 1925.

29 *Rigsdagstidende 1926–27*, Folketingets Forhandlinger, 252–53 (Ove Rode) and 1009–10 (Borgbjerg's reply).

certain disagreement between the two parties who was meant to carry the reform through the parliament. Another explanation can be that the Social Democrats had not accustomed themselves to their role in power and state administration, at the same time as the government was preoccupied with foreign exchange problems, the struggle for disarmament and disturbances on the labour market.[30]

A third explanation might lie in the work which the commission in fact had carried out. As Borgbjerg explained, it had distributed a survey questionnaire in January 1926 to institutions such as the Sickness Fund Committee (*Sygekassenævnet*) and the Labour Directorate (*Arbejdsdirektoratet*) and to the counties, municipal executive boards and other local institutions. The 12 questions sought to evaluate in what way the existing system did not work adequately. Were there situations, for example, where assistance should be given without the effect of poor allowance (loss of civil right), but where the rules prevented it? Were there problems in cooperation between the different administrations and institutions?

The survey was meant to document (and legitimate) the need for simplification and systematization. The problem was that the answers gave no foundation for this. The state institutions and major municipalities (especially Copenhagen and Aarhus) responded as expected with serious reviews of the social welfare regulations and proposals for simplifications and improvements, but the parish councils in the small municipalities in the rural areas resisted. These municipalities were most often dominated by the agrarian liberal party. The ministry's summary of the survey, first published in 1930, describes a very low response rate from the municipalities, explaining that surprisingly many of the small (and Liberal-led) municipalities simply answered a laconic 'No' to the question of whether there were problems or needs for more coordination.[31] Even worse was that many municipalities had utilized the survey to answer questions that had not been asked. The ministry's summary mentions 'about 140 statements that the social legislation to a greater degree than had been the case should set the insurance principle in place of the maintenance principle' (the latter being the tax based social benefits).

If the commission's work proceeded sluggishly during the Social Democratic government, it did not fare much better following the change of government in December 1926. The Liberal government under Madsen-Mygdal did not

30 Grelle 2008, 280–311.

31 A summary of the survey was published as an appendix to the law on public welfare in 1930 – see *Rigsdagstidende* 1930–31, Tillæg A, 3584–3670.

provide fertile ground for continued social policy expansion and reform. Madsen-Mygdal abolished the Ministry for Social Affairs (established in 1921), which to a great degree had become a symbol of Social Democratic reform initiative, transferring control of the public welfare system to Interior Minister Oluf Krag and Minister of Health Victor Rubow. The Liberal government's social policy project focused on controlling social expenditures.

Steincke as Minister of social affairs

In 1929, Madsen-Mygdal lost power to a Social Democrat-Social Liberal coalition government under Thorvald Stauning, who proved to be a long-term presence in Danish politics as Prime Minister until his death in 1942. Despite Stauning's skepticism toward the self-assured and intransigent Steincke, he tapped Steincke to be the new minister of social affairs (re-establishing the ministry abolished in 1926), much to Steincke's own surprise. According to Steincke's memoirs, it was because Stauning saw in him the man who could carry through the long debated social reform.[32] The social reform was part of the new government agenda, and the government's plan was to finance the reform by means of budget cuts in the military. The social reform, according to Stauning, should function as a corrective to Madsen-Mygdal's retrenchment policies, create administrative simplification, move resources to the most needy persons and ensure everyone except for the most work-averse the right to assistance without loss of any civil rights.[33]

When Steincke took over as minister of social affairs, matters came to a head. Borgbjerg's Social Commission, which was formally still operating, was on the agenda at government meetings in the spring of 1929.[34] Steincke closed down the commission and instead established a smaller, more effective working group headed by the ministry's own people: Rudolf Lassen, O. Fenger and H. de Jonquiéres as head. This organisation of work meant that Steincke and the ministry had complete control over the reform work. He delegated work to a number of specialized committees dealing with specific policy areas. One example was the committee which worked with the children's protection services that included a number of experts such as

32 Steincke, K.K. (1946) *Fra hele Valpladsen. Ogsaa en Tilværelse II (1918–1929)*, Copenhagen: Fremad, 258; Grelle 2008, 322.

33 Grelle 2008, 324.

34 Kaarsted, Tage (ed.)(1981) *Ministermødeprotokol 1929–1933. Ministeriet Stauning-Munch*, bd. 1, Aarhus: Jysk Selskab for Historie, 4, 12.

the chief inspector for the child welfare Oluf J. Skjerbæk and the Christian philanthropist Gerda Mundt. Both were politically active (and would later become members of parliament) for the Conservative Party. They combined expert knowledge with the possibility to anchor the reform ideas among the most receptive representatives for the right-wing parties. In addition, a cross-cutting committee was established: 'the advisory social committee', with representatives from especially the local administrations. On the committee was also the Copenhagen mayor Viggo Christensen; chairman of parliament and of the National Association of Municipalities H.P. Hansen; the chairman of the Federation of Parish Council Associations, Gerud Jensen; and the Sorø county chief administrator (*amtmand*) Vilhelp Topsø. The committee had a legitimating function, but also contributed with practical advice for revisions of the refund arrangements and the problem of which municipality was to care for individuals moving from one place to another.[35]

The effective work in an almost corporative tradition involving major interest groups with an ambitious minister at its helm meant that Steincke, in June 1929, two months after taking up his position, could present his reform to the government at a cabinet meeting. Such a comprehensive reform naturally provoked reservations and critical remarks also from his government colleagues. Several, including Stauning, had reservations regarding whether the elected local politicians could implement Steincke's idea to make the municipal boards into the center of the social administration. But Steincke obtained a green light to go forward and elaborate a genuine draft law (based on the ideas in his 'Welfare System of the Future').[36]

The reform proposal consisted of four main laws which collected, coordinated and reformed 55 existing laws. It was a comprehensive administrative reform, which in several areas also entailed changes in the legislation. In the first round of parliamentary debate in November 1929, Steincke presented in parliament the three laws on accident insurance, unemployment insurance and People's insurance (covering benefits in case of sickness, invalidity and old age), while the proposal on a new law on social assistance (the old poor law) would not come until December 1930. The proposal obtained the expected reception. The two government parties were positive, of course, while the right-wing parties

35 See appendix to the proposal on the law on public welfare (lov om offentlig Forsørgelse), *Rigsdagstidende* 1930–31, Tillæg A, 3151–3174, 3183–3186. The discussion on which municipality had to provide help – the place of birth or place of resident was extremely complicated and led to a high number of controversies and even law suits between municipalities.

36 Cf. Christensen, Jacob (1995) 'Socialreformen 1933', *Historie*, no. 2: 202. He uses notes and meeting minutes from Steincke's personal papers. See also Kaarsted 1981, 46; Steincke, K.K. (1947) *Det trækker op. Ogsaa en Tilværelse III* (1929–1935), Copenhagen: Fremad, 9.

were much more reserved. They feared increasing public expenditures, were afraid of the advance of the legal based social rights and had several more specific objections. The strongest political critique, however, came from the Communists. The Communist Party of Demark (DKP) was strongly critical to the Social Democratic government's response to the financial crisis. This critique reflected the Communists' ideological course, in which Stalin, in 1928, had dictated a struggle against the social democratic 'social fascism', and the two parties' were in direct competition for working class voters. The DKP sought to exploit the crisis to mobilize and organize the unemployed, and they arranged several demonstrations and protests. A dramatic high point occurred when Charles Nielsen, from the communist-led, 'Organisation of the Unemployed', on 10 December 1930, fired his revolver from the parliament's spectator gallery, while Steincke, then Minister of Social Affairs, was speaking during the debate on the Law on Public Assistance.[37]

Outside the political system, Steincke's plans met a degree of resistance among the philanthropic organisations. As early as 1930, the leader of The Federation of Danish Parish Charities, Alfred Th. Jørgensen, pointed out that an enactment of the welfare bill would place the parish charities in a completely new situation, because nursing services, child welfare centers and the setting up of nursing homes and homes for the chronically ill would be taken over by the public authorities. Jørgensen agreed with the fundamental principles underlying the reform, but pointed to the importance of ensuring the possibility for cooperation between the public authorities and the volunteer-based institutions. Together with High Court Judge V. Krarup, Jørgensen tried to pressure Steincke to alter the content of the bill.[38] Krarup used his legal skills to formulate an alternative proposal, which the two of them presented to Steincke at a personal meeting in 1931. In his memoires, Jørgensen notes that Steincke seemed to be opposed to the idea, but after having considered the matter for some time, he said that he was willing to take the federation's suggestion into account, and he eventually had Krarup's proposal written into the bill, thus enabling the municipal social committee to conclude an agreement with the voluntary associations and institutions about cooperating to help the needy.

Up through the early 1930s, the critique became harsher and more extensive, as the national-conservative magazine 'The Taxpayer' (*Skatteborgeren*) led

37 Christensen, Jacob (1998) ***K.K. Steincke. Mennesket og politikeren. En biografi***, Copenhagen: Christian Ejlers Forlag, 226.

38 Jørgensen, Alfred Th. (1949) ***Filantrop og Skribent. Brogede Minder fra et begivenhedsrigt Liv i Indland og Udland***, Copenhagen: Gad, 165–166.

the struggle against Steincke's social reform.[39] There were several detailed and especially critical reviews of the four main pillars of Steincke's reform proposal and an equally sharp attack on the right-wing parties for not sufficiently distancing themselves from the proposals. The critical points were the increased expenditures, the increased state intervention element and especially, what 'The Taxpayer' magazine labeled 'the great revolution': that poor law became municipal social assistance (*kommunehjælp*). This meant that for the large group of recipients of help under the poor law, the legal ramifications (e.g., loss of voting rights) would disappear and 'From the shameful ashes of the impoverished there rises into the sky a new phoenix which does not know the conservative sense of shame.'

And this was not good. For it was precisely this notion of shame which ensured that people did everything they could not to be placed into the poor law category. Steincke and the principle of social right threatened the entire conservative social order:

> *The new system is based on making the needy person's access to help into an allodial right (odelsret) and civil right for him, a right which he can exercise without hesitation and any kind of diminishing of his sense of self and his reputation. But that one can thus renounce one's economic independence with the same indifference as one throws off one's coat stands in stark contrast to the very foundation of the bourgeois social order.*

There was no immediate progress for Steinckes ideas due to the right wing parties' ability to veto the process. In 1929, 1930, 1931 and 1932, Steincke had to promulgate again and again his proposals. There were at times very long and heated debates in the parliament, after which they were pushed into committee for further discussion.[40] The disagreements meant that the project became deadlocked. The two government parties certainly had a majority in the lower chamber (*Folketinget*), but they desired a broad compromise which ensured political legitimacy and especially that the reform could get through

39 See for example 'Hr. Steinckes 'Folkeforsikring'', ***Skatteborgeren***, no. 58, januar 1930, 878–880; 'De Steincke'ske Forsørgelseslove', ***Skatteborgeren***, no. 67, October 1930, 1021–1024; Frantz Pio, 'De sociale Love', ***Skatteborgeren***, no. 69, December 1930, 1054–1059; 'Hr. Steinckes 'Socialreform'', ***Skatteborgeren***, no. 70, January 1931, 1069–1072; Harald Nielsen, 'Socialreform og Kriseforlig', ***Skatteborgeren***, no. 80, november 1931, 1228–1230; 'Det danske socialdemokratiske system', ***Skatteborgeren***, no. 90, 1385–1398; 'Socialreformen', ***Skatteborgeren***, no. 96, March 1933, 1489–1491; 'Socialreformen', ***Skatteborgeren***, no. 100, July 1933, 1541–1544; 'Socialreformen II', ***Skatteborgeren***, no. 101, August 1933, 1553–1555.

40 For a detailed analysis of the debates, see Petersen, Petersen & Christiansen 2011, esp. Chapter 5.

the upper house of parliament (*Landstinget*), where the right-wing parties still had a majority. The law on unemployment insurance was implemented as a part of a crisis agreement with the Conservatives in June 1932, while the situation looked darker for the three other proposals.

What finally broke the deadlock was the crisis agreement concluded in Stauning's apartment on Kanslergade in January 1933. The crisis negotiations between the government, Venstre (the agrarian liberal party) and the Conservatives took place from the 12th to the 30th of January 1933. The talks were aimed primarily at resolving a dramatic situation on the labour market with strikes and lockouts and the economic problems facing agriculture. Steincke, who participated in the social democratic negotiating committee, relates in his memoires that the social reform was one of eight points that the government wanted to include into the negotiations.

Steincke was leading a sub-committee in the negotiations to examine the social reform and the public expenditures. There are no indications, however, that these negotiations were successful. Steincke does not mention it in his memoires, and the question of foreign exchange policy and the conflicts on the labour market generally came to dominate the discussions on crisis policies. By the end of the month, things became more and more pressured, and Stauning therefore took the initiative to conduct informal negotiations between the government and the agrian-liberal Venstre in his own apartment on Kanslergade. Here, on the night from the 29th and 30th January, they finally reached agreement for a major compromise which gave something to the farmers and to the workers. This meant that in principle, the Venstre promised not veto the implementation of the social reform, and the reform was included into a draft compromise that was presented to the Social Democratic parliamentary group on the morning after the Kanslergade Agreement.[41] In the weeks that followed, negotiations took place regarding the content of the reform, and the final agreement on the content of the social reform was only reached in March 1933.[42]

Milestone and reform by accident?

41 Møller, Iver Hornemann (1994) *Velfærdsstatens udbygning. Den anden socialreform 1933*, Copenhagen: Samfundslitteratur, 144. Reference is made to minutes of the Social Democratic parliamentary group meeting of 30 January 1933.

42 Christensen 1998, 211.

It has since been discussed what the social reform actually implied. Was it an administrative reform, or was it the final victory of the principle of social rights? Was there anything qualitatively new, or was it just the old system with some new legal paragraphs added? It is difficult to answer these questions in an unambiguous way.

The process behind the reform, as we have seen, was marked by an active K.K. Steincke, a social democracy on the offensive, strong resistance toward a comprehensive social reform and a window of opportunity which opened with the international financial crisis in 1933. The social reform was realized because it became part of a major crisis compromise. Had this not occurred, the history of Danish welfare would undoubtedly have been different. Elements of the reform would certainly have been implemented anyway in the long run, as there was a need for better coordination and administration, but it would have occurred with another kind of timing, and it could easily have been a less statist version without the state's partly takeover of social expenditures from the municipalities and the idea of social rights being so prominent.

The social reform of 1933 meant greater changes in some areas than in others. In areas such as unemployment insurance, old-age pensions and medical insurance, there were no major changes. The most important change was in the area of social assistance, where it was decisive for Steincke to distinguish between the great majority of the deserving poor, who were simply the victims of fate and hard times, and the group of socially 'substandard' citizens (*Undermaalere*). While the first group was relieved from the moral grip of the discretion principle and was allocated social rights, the latter group was subjected to the stricter right hand of the state. Beyond reforming and coordination in the individual areas – collecting 55 laws into four main laws – the social reform brought with it general administrative changes:

- Municipalities became the center for the local social administration (in terms of responsibility, administration and control).
- A simplification of the very complicated refund regulations and a collective redistribution from the rural municipalities to the large urban municipalities.
- In total, the state took over a larger share of the social expenditures from the municipalities.

Over the somewhat longer term, the social welfare reform in 1933 marked the start of the development of a public sector governed by rules and the space for local discretion became increasingly restricted. There continued to be room for the non-governmental institutions (e.g., the sickness and unemployment

funds) and philanthropic actors, which in some areas had been a sustaining elements in the old system, but they were now subject to more public regulation and control. It was a step toward the post-war welfare state.

In a broader historical perspective one can also see the social reform as a kind of democratization of social policy and defense of a democratic society. The ideas of a uniquely Danish and Nordic democracy combing democracy and social security made its impact later in the 1930s, illustrated by the 'Days of Nordic Democracy' in Copenhagen in 1935 or the Nordic 'Protection and Welfare' exhibition in Copenhagen from 1939.[43] The idea was also clearly coined in the monumental work by Hartvig Frisch, 'Plague over Europe' (*Pest over Europa*, 1933):

> *Now is the time for us to show that there are bones and marrow in the Nordic democracy. It was the farmers in the North who led parliamentarism to victory and created the political democracy, to them belongs the honor. It is the workers' movement which has built further on this foundation and laid the foundations of social democracy. The building has not been constructed yet, and it is enough hard work for the coming generation, but the foundations have been laid, and every Nordic worker and farmer, craftsmen and functionary, professional and artist, has reason to protect and defend the effort which has been done, against every attempt to introduce dictatorship and methods of violence, no matter whether they come from east or from south.*[44]

Frisch proved to be correct in many ways. The Danish (and the Nordic) democracy survived both the totalitarian plague and the great war. After the war, the construction of the welfare state continued, with the 1933 social reform as the basic pillar, until the start of the 1960s. Today most accounts of the history of the Danish welfare state model include the Social Reform in 1933 as one of the important building stones illustrating the Danish tradition for consensus politics. However, as we have shown in this contribution, the reform was just as much a result of a window of opportunity created by the international crisis as it was the result of Danish corporatism and consensus culture. As Steincke himself noted in his 'Political Testament' from February

43 See the contributions in Kurunmäki, Jussi & Strang, Johan (eds)(2011) *Nordic Democracy: The Rhetoric of Shared Values in a World of Tensions*, Helsinki: Finnish Literature Society; Christiansen, Niels Finn & Petersen, Klaus (2003) 'Norden som folkehjem'. In Benum, Edgeir et al. (eds) *Den mangfoldige velferden. Festskrift til Anne-Lise Seip*, Oslo: Gyldendal Norsk Forlag, 13–16.

44 Frisch, Hartvig (1933) *Pest over Europa. Bolschevisme-Fascisme-Nazisme*, Copenhagen: Fremad, 9.

1962, the social reform he implemented 'was just as much recognized abroad – from Norway to Uruguay -- as it was criticized here at home.'[45]

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45 *Berlingske Tidende*, 13 February 1962. The reform was also recognized by Finnish policy makers. The journal Sosiaalinen Aikakauskirja – Social Tidskrift reported twice about the Danish reform (No. 7, 1933: 375–377 and No. 8, 1933: 424–425. It was also a couple of years later described in a white paper on social insurance. See Komiteanmietintö 1935, 11. Sosiaalivakuutuskomitean mietintö. Helsinki 1935. The authors thank Pauli Kettunen for the Finnish references.

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THE PRIMACY OF WELFARE POLITICS
Notes on the language of the Swedish Social Democrats and their adversaries in the 1930s

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The 1930s are usually highlighted as the formative moment in modern Swedish history; weak governments, high unemployment rates and many industrial conflicts prior to that decisive decade – strong governments, welfare reforms and harmonious relations between capital and labour after it.[1] On 27 May 1933, the Social Democrats (*Sveriges Socialdemokratiska Arbetarparti*) and the Farmers' Party (*Bondeförbundet*) signed the crisis agreement, and it was followed five years later by the second step, the Saltsjöbaden-agreement between employers and unions concerning the rules that were to govern labour market relations. These are the two formative events, the foundation of the Swedish historical class compromise, to use Walter Korpi's well-known label.[2] The decade also saw the rise of corporatism and, of course, the beginning of a new era in Swedish politics with the Social Democrats in power from 1932 to 1976, almost without interruption but not always in majority.[3] These changes turned out to have an epochal character; the 1930s saw the birth of modern Sweden, of the virtuous circle with its long-lived societal compromises connecting economic growth, politics and ethics.[4] Notwithstanding Sweden's

1 This text is an early report from the research project 'The Struggle over the Welfare State: A History of the Welfare Concepts in Sweden 1850–2010' funded by *Riksbankens Jubileumsfond*, the Bank of Sweden Tercentenary Foundation (grant P12-0269:1). I would like to thank my colleagues Nikolas Glover, Urban Lundberg and Klas Åmark for comments, discussions and suggestions. See also note 9.

2 Korpi, Walter (1978) *The Working Class in Welfare Capitalism. Work, Unions and Politics in Sweden.* London: Routledge & Kegan Paul, 80–86.

3 For a highly readable account of the 1930s, Hirdman, Yvonne, Lundberg, Urban & Björkman, Jenny (2012) *Sveriges historia 1920–1965.* Stockholm: Norstedts, 178–301, for *kohandeln* see 196–199. For a short overview in English, Sejersted, Francis (2011) *The Age of Social Democracy. Norway and Sweden in the Twentieth Century.* Princeton: Princeton University Press, 166–172.

4 My thinking about welfare state history owes a lot to numerous conversations with Pauli Kettunen over the last decade and a half. Of course, I have also benefited greatly from reading Pauli's English and Swedish texts. The Myrdalian ringing 'Virtuous Circle' is just one of Pauli's illuminating ideas, receptively picked up, reworked and tried out in different texts, e.g. Kettunen, Pauli (1997) 'The Society of Virtuous Circles'. In Kettunen, Pauli & Eskola, Hanna (eds) *Models, Modernity and the Myrdals.* Helsinki: Renvall Institute, 153–173; Kettunen, Pauli (2011) 'The Transnational Construction of National Challenges. The Ambiguous Nordic Model of Welfare and Competitiveness'. In Kettunen, Pauli & Petersen, Klaus (eds) *Beyond Welfare State Models. Transnational Historical Perspectives on Social Policy.* Cheltenham: Edward Elgar, 26–31.

speedy recovery from the depression and the immediate international attention it attracted, the long-term consequences were of course unknown to contemporaries.

The crisis agreement from 1933 secured parliamentary support for an expansionist economic policy with an under-balanced budget in order to combat unemployment through public investments and for special regulations to secure production prices and incomes in agriculture. This vitally important political compromise between two former adversaries was immediately and disparagingly labelled the horse-trade, *kohandeln* (literary translated the cow-trade). This name followed that of the Danish crisis agreement, from January the same year, which critical Danes named the ox-trade, *studehandel*. The agreement's importance for parliamentary democracy and the general political climate must be underlined. However, the Social Democratic minority government under Per Albin Hansson's leadership failed to make the unemployment insurance part of the package in 1933, and the voluntary insurance legislation was passed through the *Riksdag* the following year with support from the Liberals – a dozen liberal MPs had in fact deserted the party line and supported the crisis agreement. In 1934, the farmers joined the Conservative opposition and said no to unemployment provision, and the new economic and social reforms were subjected to heavy fire from conservative and liberal camps.

The present study deals with the central concepts in Swedish political discourse in the 1930s, particularly with the language of economic and social reform.[5] It has an overtly polemical thrust and sets out to challenge and correct the now widespread and well-established interpretation which says that 'the people's home', *folkhemmet*, is the key concept in modern Swedish history. My contention is that it actually had a rather limited immediate significance compared to the contested, but forgotten, key concept of the 1930s: welfare politics, *välfärdspolitik*.[6] 'The people's home's' elevated status as the core concept is to a large extent a presentist construction with relatively weak historical foundations. That is the strong challenge put forward in this text.

5 My approach can be labelled pragmatic nominalism, which means that my searchlight is set on the terms that were used. Which were those terms? How were they used and what did they mean? And who used them? Such questions guide my search. In other words, this is not a text about welfare ideas and ideologies in general. For the sake of simplicity, I will in this text use term and concept interchangeably when referring to *folkhemmet*, 'the people's home', and *välfärdspolitik*, welfare politics.

6 Like other Nordic and Continental languages, Swedish has a single word, politik, for both politics and policy, cf. Heidenheimer. Arnold J. (1986) 'Politics, Policy and Policey as Concepts in English and Continental Languages: An Attempt to Explain Divergences'. *The Review of Politics*, Vol. 48, Issue 1, 3–30.

The limited significance of *folkhemmet*

It is customarily argued that the new policies forwarded by the Social Democrats in the 1930s were centred on the concept of *folkhem* (definite form: *folkhemmet*], home for the people/the people's home. Consequently, runs the argument, this must be *the* key concept in modern Swedish politics. The weak claim that the term *folkhem* was used relatively frequently from the 1930s and on is certainly correct, but probably not in the sense intended by those who reproduce it. A stronger and more interesting assertion states that it was a key concept for the Social Democrats and that it guided Swedish politics in general. Unfortunately, that claim has been repeated so often over the last decades that it is now taken for granted despite the lack of systematic studies, and it is symptomatic that the ambitious *Oxford Handbook of the Welfare State* reiterates the historically incorrect claim that 'welfare state' and 'folkhem' are interchangeable terms.[7] In a similar way, German studies have set up *folkhemmet* as the organising principle of Swedish welfare society, the *Ordnungsmodell* of the last century.[8] The Swedish examples are too many to list, *folkhemmet* is to be found everywhere and its popularity seems to be rising.

Nevertheless I contend, well aware that I am fighting an uphill battle, it is actually the case that the popularity of *folkhemmet* is of recent origin.[9] A simple search in the national research library catalogue indicates this quiet clearly: up to 1980 *folkhem* appeared 67 times in total in the titles of Swedish publications. From the 1980s onwards, we see a continuous growth with more

7 Castles, Francis G. et al (2010) 'Introduction'. In Castles, Francis G et al (eds) *The Oxford Handbook of the Welfare State.* Oxford: Oxford University Press, 1. The only texts I know of where the Swedish Social Democrats/the Swedish Social Democrats (and their Nordic colleagues) in government make active use 'the people's home' and use it as a synonym to comprehensive welfare politics were intended for an international audience. They used 'people's home' with the purpose to show that Swedish/Nordic social reforms could not be labelled welfare state or socialist, see Nelson, Georg et al (1953). *Freedom and Welfare. Social Patterns in the Northern Countries of Europe,* Copenhagen: Ministries of Social Affairs in Denmark, Finland, Iceland, Norway and Sweden, 518–521; Severin, Frans (1956) *The Ideological Development of Swedish Social Democracy*. Stockholm: The Swedish Social Democratic Labour Party, 55–56.

8 Henze, Valeska (1998) *Das schwedische Volksheim. Zur Struktur und Funktion eines politischen Ordnungsmodells*. Berlin & Florence: Humboldt Universität & European University Institute. Henze's text is mainly about Ellen Key and Rudolf Kjellén as ideological 'step-parents' to the social democratic welfare state which she has labelled *folkhem*. For a similar use, Etzemüller, Thomas (2010) *Die Romantik der Rationalität. Alva & Gunnar Myrdal – Social Engineering in Schweden*. Bielefeld: Transcript, pt. VI.

9 For a more extensive discussion of the term's history in the 20th century with examples of the changing meanings attached to it, see Edling, Nils & Lundberg, Urban (forthcoming) 'Folkhemsmyten i svensk historisk forskning'.

than 500 hits up to date.[10] This growth coincides with the fiscal crisis of the welfare state, the murder of Olof Palme and neo-liberal calls for a 'system change' (*systemskifte*) in the 1980s. In this era, the concept of *folkhemmet* was recovered and consciously deployed by Social Democrats to describe the good society which they were defending against all the hostile attackers. The Social Democrats did not, this must be underlined, use the concept actively in any systematic way before the 1980s; it was at that time rescued from history and reintroduced in books like *Folkhemsmodellen* from 1984, an explanation of the virtues and achievements of the Social Democrats' labour market and social policies, and pamphlets contrasting the present welfare state, now baptised *folkhemmet*, with the dangerous neo-liberal alternatives.[11] It was in this context *folkhemmet* became popular as a metaphor for the Social Democratic welfare state, a metaphor impregnated with nostalgia looking back at the lost Golden Age of Welfare.[12] Tellingly, the Swedish Social Democrats themselves made programmatic use of the concept for the first time ever in 1990 in the background which described the labour movement's historic mission and the need to defend the inclusive and general welfare reforms against neo-liberals at home or bureaucrats in Brussels.[13]

Nowadays, *folkhemmet* is used indiscriminately in all kinds of popular and scholarly discourses. It is a fuzzy concept with multiple connotations and it can be easily stamped on anything and everything. In my view historians and social scientists are largely responsible for this through their persistent and uncritical promotion of the concept. In other words, *folkhemmet* has been *established* as a key concept through collective efforts from the 1980s onwards; it moved quite swiftly from politics into academia where it was

10 This search in Libris, http://libris.kb.se/, includes books, articles and posters and doesn't take multiple editions into account. Consequently, the total number of unique hits might be slightly lower. However, the search omits all the numerous *folkhem*-compunds, such as *folkhemssverige*, *folkhemspolitik* or *folkhemsmodell* etc. The online catalogue was accessed 4 October 2012.

11 Hedborg, Anna & Meidner, Rudolf (1984) *Folkhemsmodellen*. Stockholm: Rabén & Sjögren; Haste, Hans & Persson, John-Olof (1984) *Förnyelse i folkhemmet*. Stockholm: Tiden; Haste, Hans & Persson, John-Olof (1985) *Folkhem eller systemskifte*. Stockholm: Tiden; Grassman, Sven (1985) *Det plundrade folkhemmet. Från samförstånd till klasskamp*. Stockholm: Årstiderna; Aspling, Sven (1989) *100 år i Sverige. Vägen till folkhemmet*. Stockholm: Tiden.

12 On this nostalgia, Andersson, Jenny (2009) 'Nordic Nostalgia and Nordic Light. The Swedish Model as Utopia 1930–2007'. *Scandinavian Journal of History*, Vol. 34, Issue 3, 229–245.

13 Swedish Social Democrats' party programme 1990, 6–7. This and many other Swedish party programmes and election platforms are available online, see Svenska partiprogram och valmanifest 1887–2010, Svensk Nationell Datatjänst, http://snd.gu.se/sv/vivill (accessed 11 October 2012).

warmly welcomed.[14] Apart from the overtly political use of *folkhemmet* as a nostalgic reference to a lost golden age and the perceived need to guard previous achievements in a politically more hostile environment, the new scholarly interest in discourses and concepts and their historical significance propelled the study of that strange term, the compound noun of people (*folk*) and home (*hem*). This interest in language as an object of historical inquiry in itself and the apparent urge to give a fitting name to an important period in modern Swedish history – yet chronologically speaking a very flexible one since the concept has been set to cover anything from a few decades to the entire century – help explain the proliferation of *folkhem*-studies. Most of them just make use of 'the people's home' as an unspecified yet familiar frame of reference, a few put forward arguments about the concept's fundamental significance and these studies are of course of primary interest here. It is possible to discern three overlapping claims in these studies: a) *folkhemmet* is a vitally important concept in modern Swedish history; b) the Social Democrats had to fight to take control of this contested concept; c) the concept rapidly became very popular in the social democratic version.

Beginning with the last claim, any argument about the concept's instant popularity takes as the given starting point the parliamentary debate in early 1928 when acting Social Democratic party leader Per Albin Hansson, in passing but not by accident, tried out the metaphor *folkhemmet*. In this speech, one of the most quoted in modern Swedish history, Hansson made it clear that the good home, characterized by community and inclusion as well as equality, consideration, co-operation and helpfulness, could not accept any privileged or neglected members. The Swedish society of his day was a brutal negation of those ideals:

> *Applied to the great people's and citizens' home this would mean the breaking down of all the social and economic barriers that now separate citizens into the privileged and the neglected, into the rulers and the dependents, into the rich and the poor, the propertied and the impoverished, the plunderers and the plundered. Swedish society is not yet the*

14 Yes, I contributed too; with the closing remark in my first book I wanted to underline that the use of the home (*hemmet*) as a metaphor for the good society and national integration was well established in Swedish political discourse before the 1930s, Edling, Nils (1996) *Det fosterländska hemmet. Egnahemspolitik, småbruk och hemideologi kring sekelskiftet 1900*. Stockholm: Carlsson, 383–385.

> *people's home. There is formal equality, equality of political rights, but from a social perspective, the class society remains and from an economic perspective the dictatorship of the few prevails.*[15]

According to many researchers, Hansson's people's home-speech captures the essence of Social Democratic reformism and that might be a valid interpretation. Generally speaking, these studies focus on the ideas and policies and make use of 'the people's home model' to catch certain characteristics of Swedish social democratic reformism.[16] However, it must be remembered that the Social Democrats themselves hardly ever used *folkhemmet* to describe and promote their objectives. Although it can be seen as a welfare concept of a kind, it was not synonymous with 'the welfare state', and certainly not contested in that way. For Hansson *folkhemmet* was clearly a future-oriented welfare concept but not the most important tool in his rhetorical repertoire; he used 'the people's and citizen's home' (*folk- och medborgarhemmet*) or simply 'the citizen's home' (*medborgarhemmet*) more often.[17] Furthermore, Hansson was the only leading party representative who talked about 'the people's home'; his prominent colleagues Ernst Wigforss, Minister of Finance 1932–1936 and 1936–1949, and Gustav Möller, Minister of Social Affairs 1924–1926, 1932–1936, 1936–1938 and 1939–1951, never spoke about *folkhemmet*, and later party leaders Tage Erlander and Olof Palme only mentioned it when referring to Hansson's times or to Sweden in general. In *Tiden*, the party's

15 This translation is from Tilton, Tim (1990) *The Political Theory of Swedish Social Democracy. Through the Welfare State to Socialism*. Oxford: Clarendon Press, 126–127.

16 E.g., Tilton 1990, ch. 6; Esping-Andersen, Gøsta (1992) 'The Making of the Social Democratic State'. In Misgeld, Klaus, Molin, Karl & Åmark, Klas (eds) *Creating Social Democracy. A Century of the Social Democratic Labor Party in Sweden*. University Park: Pennsylvania State University Press, 42–47; Berman, Sheri 1998 *The Social Democratic Moment. Ideas and Politics in the Making of Interwar Europe*. Cambridge, Mass.: Harvard University Press, 156–160; Berman, Sheri (2006) *The Primacy of Politics. Social Democracy and the Making of Europe's Twentieth Century*. Cambridge: Cambridge University Press, ch. 7. There are numerous Swedish studies, e.g. Jonsson, Tomas (2000) *'Att anpassa sig efter det möjliga'. Utsugningsbegreppet och SAP:s ideologiska förändringar 1911–1944*. Göteborg: Arachne, Göteborgs universitet, ch. 6–8; Karlsson, Sten O. (2001) *Det intelligenta samhället. En omtolkning av socialdemokratins idéhistoria*. Stockholm: Carlsson, 459–490. Jonsson's book is in my opinion the best study of the Social Democrat's ideological development up to the 1940s. More interested in ideas and ideology than concepts he uses *folkhemmet* to cover the emerging reformism in general.

17 For details, Edling & Lundberg 2013. Björck, Henrik (2011) 'Det politiska folkhemsbegreppet. Tillkomstens kontexter', in Andrén, Mats et al (eds) *Språket i historien – historien i språket. En vänbok till Bo Lindberg*, Göteborg: Arachne, Göteborgs universitet, 380, also notes this. Berman 1998, 171, contends that Hansson used 'the people's home' a lot in 1932. That is hardly correct. She refers to Landgren, Karl-Gustaf (1960) *Den 'nya ekonomien' i Sverige. J.M. Keynes, E. Wigforss, B. Ohlin och utvecklingen 1927–39*. Göteborg: Göteborgs universitet, 89–90. Those pages deal with parliamentary debate about the crisis agreement and the economic arguments forwarded by leading Social Democrats. Landgren says nothing about *folkhemmet*.

journal for political and cultural debate, *folkhemmet* appeared a meagre seven times 1928–1940, this in the years when, according to modern interpretations, it permeated and directed Social Democratic ideology and practice.[18] The two volume study of the ideological development of the Social Democrats from 1941 by Professor Herbert Tingsten, a prominent political scientist and at that time an active party member, confirms this picture: Tingsten, a truly well-informed insider, devoted only a couple of lines out of 900 pages to the concept of *folkhemmet*.[19] Three years later, the party congress devoted several days and 600 pages to the new principal programme and the reform agenda for the coming years and *folkhem* popped up only twice in these lengthy and detailed discussions.[20] As noted, the concept made its debut in the party programme as late as in 1990 and it cannot be found in a single Social Democratic national programme, election platform or poster before that year.[21] This discrepancy between the historical actors' lack of interest in the concept and the current fascination is rather surprising – Hansson obviously lacked a spin doctor with a feeling for what today's scholars and politicians appreciate. My conclusion is that any argument stating that *folkhemmet* was a central slogan or core concept for the Social Democrats over time must be taken with a pinch of salt or two, and it is, I believe, necessary to make a clearer distinction between the use of 'people's home' as an analytical concept introduced *post festum* and the claim that *folkhem* held a central position in the sources and processes studied.

As for claims a) and b), the assertion that 'the people's home' became popular early in the 1930s remains unsubstantiated. The logic of reasoning seems to go something like this: *folkhemmet* was central to the Social Democrats, their party won popular support in the elections and was in

18 Arvidson, Stellan (1930) 'Brantings tal och skrifter'. *Tiden*, Vol. 22, 607; Johansson, Axel (1931) 'Från läsarna. Socialdemokratien och nykterhetsfrågan'. *Tiden*, Vol. 23, 384; Andersson, Nils (1935) 'Riksdagens 500-års jubileum'. *Tiden*, Vol. 27, 235; Vanner, Al (1935) 'Per Albin'. *Tiden*, Vol. 27, 520; Nilsson, Anders (1935) 'Partiet och dess ledare'. *Tiden*, Vol. 27, 588; Johnsson, Melker (1939) 'D. H. Lawrence, kriget och samhället'. *Tiden*, Vol. 31, 562; Gårdlund, Torsten (1940) 'Den nationella väckelsen'. *Tiden*, Vol. 32, Issue 4, 197; Tingsten, Herbert (1940) 'Svensk demokrati i samling'. *Tiden*. Vol. 32, Issue 5, 258. *Tiden* is available online in full text, http://runeberg.org/tiden/.

19 Tingsten, Herbert (1941) *Den svenska socialdemokratins idéutveckling* 2 Vols. Stockholm: Tiden, Vol. 1, 325. Unfortunately, I have not had access to the English translation from 1973.

20 *Protokoll Sveriges socialdemokratiska arbetarepartis 17:e kongress i Konserthusets stora sal. Stockholm, den 18–24 maj 1944*, Stockholm: Sveriges Socialdemokratiska arbetarparti, 11 (P. A. Hansson), 71 (G. Branting). Just to avoid any misunderstanding: *folkhemmet* was used four times at the congress in 1928 (two of these were in Hansson's welcome speech); not a single time, it seems, at the congresses in 1932 and 1936; two times at the congress in 1940. This conclusion is based on the copies I have made for my research project of the relevant parts of the volumes. Of course, there might be references to *folkhem* in the parts that I have excluded, but I doubt it.

21 This conclusion is based on a search in the online database *Svenska partiprogram och valmanifest 1887–2010* at Svensk Nationell Datatjänst, http://snd.gu.se/sv/vivill (accessed 11 October 2012).

government, and consequently, the concept must be both important and widespread in Sweden. As indicated here, the first premise lacks firm empirical anchorage and this of course damages the argument in general. Yes, there are several good studies of the meandering prehistory of the concept from the last decades of the nineteenth century to the 1930s; the term was first used for settlement houses (cf. German *Volksheim*) and became politicised after the break-up of the union with Norway in 1905 – the infrequently used metaphor *folkhemmet* symbolised the nation and national unity.[22] But these works are all based on the questionable premise that 'the people's home' became the key concept in Swedish politics from the 1930s onwards. That is the main problem, in my view. The antidote whenever claims are made that *folkhemmet* was 'the central organizing slogan of the Social Democrats' or that 'the struggle over the concept "folkhemmet" became synonymous with the struggle over governmental power' is to check the references provided – if you can find any – and then ask for an explanation of exactly how the metaphor was transformed into a political programme.[23] Numerous texts feed the message that 'the people's home' became a popular slogan, the Social Democrats' 'mantra' (Witoszek), a widely spread metaphor popularised by the social democrats (Stråth), a metaphor that Hansson introduced and made common in Swedish political discourse (Henze) or, even worse, the metaphor

22 E.g., Götz, Norbert (2001) *Ungleiche Geschwister. Die Konstruktion von nationalsozialistischer Volksgemeinschaft und schwedischen Volksheim*. Baden-Baden: Nomos Verlagsgesellschaft; Hallberg, Mikael & Jonsson, Tomas (1993) *'Allmänanda och självtukt'. Per Albin Hanssons ideologiska förändring och folkhemsretorikens framväxt*. Uppsala: Litteraturvetenskapliga institutionen, Uppsala universitet; Dahlqvist, Hans (2002) 'Folkhemsbegreppet. Rudolf Kjellén vs Per Albin Hansson', *Historisk tidskrift*, Vol. 122, Issue 3, 445–465; Björck, Henrik (2008) 'Till frågan om folkhemmets rötter'. In Björck, Henrik *Folkhemsbyggare*. Stockholm: Atlantis, 13–52; Björck 2011, 377–393.

23 Lars Trägårdh has repeated this argument several times but his empirical evidence is in this respect rather sketchy, Trägårdh, Lars (1990) 'Varieties of Volkish Ideologies. Sweden and Germany 1848–1933. Language and the Construction of Class Identities'. In Stråth, Bo (ed.) *Language and the Construction of Class Identities. The Struggle for Discursive Power in Social Organisation. Scandinavia and Germany after 1800. Report from the DISCO II Conference on Continuity and Discontinuity in the Scandinavian Democratisation Process in Kungälv 7–9 September 1989*. Göteborg: Gothenburg University, 48–49; Trägårdh, Lars (2002a) 'Sweden and the EU. Welfare State Nationalism and the Spectre of 'Europe''. In Hansen, Lene & Wæver, Ole (eds) *European Integration and National Identity. The Challenge of the Nordic States*. London: Routledge, 130–148; Trägårdh, Lars (2002b) 'Crisis and the Politics of National Community. Germany and Sweden 1933/1994'. In Trägårdh, Lars & Witoszek, Nina (eds) *Culture and Crisis. The Case of Germany and Sweden*. New York: Berghahn, 76–85. Quoted from Trägårdh (2002b), 77 ('organizing slogan') and Ljunggren, Stig-Björn (1992) *Folkhemskapitalismen. Högerns programutveckling under efterkrigstiden*, Stockholm: Tiden, 58 ('Kampen om folkhemsbegreppet blev därför också liktydigt med kampen om den svenska regeringsmakten'). For similar statements, Stråth, Bo (1992) *Folkhemmet mot Europa. Ett historiskt perspektiv på 1990-talet*. Stockholm: Tiden, 205–208; Stråth, Bo (2005) 'The Normative Foundations of the Scandinavian Welfare States in Historical Perspectives'. In Nanna Kildal & Stein Kuhnle (eds) *Normative Foundations of the Welfare State. The Nordic Experience*, London: Routledge, 34–36. Stråth largely follows Trädgårdh.

transposed into some kind of blueprint: 'Following Hansson's speech, the idea of the "folkhem" became the main organizing principle of the Swedish welfare state' (Schall).[24] These claims confuse centrality and popularity. If the Swedish welfare state is the direct realization of Hansson's metaphor about community and belonging, as the centrality-argument runs, then this process, the transformation of the metaphor into a full-scale reform agenda – which used other concepts – needs to be explained, instead of being taken for granted. As a matter of fact, neither the Social Democrats, apart from Hansson, nor the non-socialist opposition were particularly keen on talking about *folkhemmet*. So it seems, at least judging from the speeches made by the party leaders and from the election pamphlets and handbooks issued by the competing parties. In my view, this is important and affects the strongest claims made in the literature about the continued contestation surrounding the concept. Lars Trägårdh, the historian who has most ardently promoted the idea of *folkhem* as the contested key concept to the international public, confuses the mixed historical roots of the concept with contestation; that more or less prominent liberal, and conservative writers and politicians had made use of the term before 1914 and even in the 1920s does not in itself support the claim that P. A. Hansson had to fight in order to appropriate the concept.[25] The simple truth is that the Social Democrats two main adversaries in the 1930s, the Conservative (*Högern*) and the Liberal (*Folkpartiet*) parties lacked any greater interest in *folkhemmet*; they occasionally made fun of Hansson's new metaphor but refrained from any attempts to conquer it. Admiral Lindman, the Conservative leader, made sarcastic remarks and his successor Professor Gösta Bagge in a similar way repeated that the ideas of a national community and togetherness were attractive if one could trust the socialists. But that was of course completely out of the question as the Social Democrats favoured a planned economy and social reforms that undermined individual responsibility: 'If the Social Democrats are allowed to stay in power, it is much to be feared that Mr Per Albin Hansson's "folkhem" becomes the institution

24 Witoszek, Nina (2002) 'Moral Community and the Crisis of Enlightenment'. In Trägårdh, Lars & Witoszek, Nina (eds) *Culture and Crisis. The Case of Germany and Sweden*. New York: Berghahn, 56; Stråth 1992, 206; Henze 1998, 80; Schall, Carly Elizabeth (2012) '(Social) Democracy in the Blood? Civic and Ethnic Idioms of Nation and the Consolidation of Swedish Social Democratic Power, 1928–1932'. *Journal of Historical Sociology*, Vol. 25, Issue 3, 467.

25 Trägårdh 2002a, 146; Trägårdh 2002b, 84–85. He makes the same claim in both texts stating that the Conservatives made unsuccessful attempts 'to establish a right-wing reading of the *folkhem* slogan' in the 1920s and 1930s. However, the footnote refers to the critique P. A. Hansson received from a fellow Social Democrat. Much can be said about Arthur Engberg, one of Hansson's adversaries within the party, but he was not a right-wing propagandist. Consequently, 'the attempts' remain unknown.

of all institutions.' According to Bagge, his socialist opponent subscribed to 'the ideals of medieval times and stagnation'.[26] The Liberals were even less interested, it seems.[27] As Norbert Götz indicates in the best researched study, *folkhemmet* was not very widely used in political debates in the 1930s and only the small parties on opposing flanks, the Communists and the different right wing groups, got really excited and launched harsh critiques.[28] The major parties had other priorities and more pressing issues to deal with and their lack of interest lead to a rapid de-politicization of Hansson's metaphor. This de-politicised and non-contested concept of *folkhemmet* became quite popular already in the 1930s and it appeared in commercials, illustrated weeklies and cartoons as the non-controversial metaphor for Sweden or Swedish society in general, 'the people's home which belongs to us all'.[29] It became a broad national 'flagging' metaphor, and had little, if any, import on the social reforms of the 1930s and 1940s. As the leading literary critic Ivar Harrie stated in April 1940: 'The term "folkhemmet" is nowadays used mostly with a rallying tone – a discarded term from propaganda which is used as a boomerang.' According to him, it was a dead term without any real connotations and he wanted to revive it in order to defend the democratic ideals, the rule of law

26 Bagge, Gösta (1936) *Politiska tal år 1936*. Stockholm: Egnellska boktryckeriet, 100. See also, Bagge, Gösta (1937) *Politiska tal 1937*. Stockholm: Egnellska boktryckeriet, 75, 135, 162. For Lindman, e.g. Lindman, Arvid (1928) *Samverkan för produktiva uppgifter. Tal i valrörelsen 1928*. Stockholm: Allmänna valmansförbundet, 128; Lindman (1934a) *Vår svenska väg. Urval av tal i 1934 års valrörelse*. Stockholm: Allmänna valmansförbundet, 83; Lindman (1935) *Frihet eller förtryck. Tvenne föredrag av Arvid Lindman den 14. och 16. mars 1935 i Stockholm*. Stockholm: Allmänna valmansförbundet, 7; Lindman (1936) *Trygghetskrav i orostider. Föredrag i 1936 års valrörelse*. Stockholm: Allmänna valmansförbundet, 44. All of these examples are simple references without any argument about the meaning and content of the concept. The Conservatives usually marked their distance by putting *folkhemmet* within quotations marks.

27 Österström, Ivar (1936) *Folkpartiets arv, insats och uppgift i svensk politik*. Stockholm: Folkpartiet, 30. The central liberal text from the 1930s did not mention *folkhem* at all, Ohlin, Bertil (1936) *Fri eller dirigerad ekonomi?* Stockholm: Folkpartiets Ungdomsförbund.

28 Götz 2001, 245–252; also Björck 2011, 390–393. It is possible that further studies of the newspapers might alter my conclusion as far as the press is concerned.

29 Håstad, Elis (1956) 'Arbetarrörelsen och Högern', in *Arbetets söner. Text och bilder ur den svenska arbetarrörelsens saga,* Vol. 4: *Nydaningens tid*. Stockholm: Steinsviks Bokförlag, 653. Håstad was a Conservative MP and Professor in political science. Salomon, Kim (2007) *En femtiotalsberättelse. Populärkulturens kalla krig i folkhemssverige*, Stockholm: Atlantis, 240–242, has examples from weeklies in the 1950s. However, a problem with Salomon's book is in my view the indiscriminate and simultaneous use of *folkhemmet* as an analytical tool and an empirical finding.

and the Swedish nation in dark times.[30] His aspirations were not fulfilled, it seems. Despite the surge of nationalist sentiments during the war years, 'the people's home' did not became the preferred way to describe the Swedish way of life and its central democratic values.[31]

The importance of *folk*

The many studies of the concept of *folkhem* have successfully highlighted *folk*, the people, as a key concept in Swedish politics. Without a doubt, Tomas Jonsson, Trägårdh and others have made important contributions by uncovering the different historical meanings attached to *folket*.[32] Focus has been on the Social Democrats and their ideological change where the entire national community (the people, *folket*) replaced the working-class as the focal group for social reforms. This new national orientation was clearly a fundamental change in socialist reformist ideology and political practice, and vitally important for the subsequent and repeated electoral successes, that well-known trademark of the Swedish Social Democrats from the 1930s to the 1970s. Party leader Hansson was instrumental in orchestrating and directing this transformation from class to nation – 'he explicitly embraced the notion that the party must project itself as a party of the people, so as not to be trapped within the exclusionary and adversarial language of class and class-struggle.'[33] This was Hansson's strategy from the early 1920s and he regularly referred to

30 Harrie, Ivar (1944) *In i fyrtiotalet*. Stockholm: Gebers, 26–27, 242–249 (written 1940 and 1941), quotation from 26, a text dated 10 April 1940, the day after the Nazi invasion of Denmark and Norway. Other examples from literary criticism in the 1930s and 1940s show how *folkhemmet* lacked an explicit political content and was used as a metaphor for contemporary Swedish society in general, cf. Blomberg, Erik (1940) *Mosaik. Litteratur, teater, konst etc. 1930–1940*. Stockholm: Tiden, 149; Strindberg, Axel (1941) *Människor mellan krig. Några kapitel i mellankrigslitteraturen*. Stockholm: Kooperativa förbundets bokförlag, 369–429.

31 This is largely an educated guess on my part and the topic is well worth further inquiry. A single reference to *folkhemmet* can be found in the collection of essays in *Svenska folkets väsenskärna* (The Essence of the Swedish Nation) from 1940 and it is missing in the classic piece of propaganda from 1942–1943, the correspondence course *Den svenska livsformen* (The Swedish Way of Life). *Folkhemmet* is also completely absent in the edited volumes *Socialismen och friheten. En orienterande debatt* from 1942 and from Bonow et al, *Svensk ordning and nyordning* (Swedish Order and New Order) from 1943, where a handful leading Social Democrats contributed. Moreover, *folkhemmet* is not a theme in a contemporary study of the political commentary in Swedish literature, Mjöberg, Jöran (1944) *Dikt och diktatur. Svenskt kulturförsvar 1933–1943*. Stockholm: Natur & Kultur.

32 Jonsson 2000; Trägårdh 1990, Trägårdh 2002a and 2002b, Stråth 2005. See also Götz 2001; Schall 2012; Tängerstad, Erik (2012) 'Varianter av folkbildning. Kampen om den tidiga folkhögskolan'. In Burman, Anders & Sundgren, Per (eds) *Svenska bildningstraditioner*. Göteborg: Daidalos, 47–75.

33 Trägårdh 2002b, 82–83.

his party's patriotism and the national message became even more important after the electoral defeat in 1928, the event that propelled the reformation in the coming years. The changes from 1928–1932 meant that the party finally took control over the Swedish Trade Union Confederation (*Landsorganisationen*) and made the exclusion and isolation of the communists a central objective for the unified reformist labour movement.[34] Anti-Communism and watered down demands for socialist changes combined with the new emphasis on national community – *folket* understood as both ethnos and demos in changing and complex ways – set the tone of the new Social Democrats and their political reform programme. Hansson's democratic nationalist socialism and the ways in which he linked democracy, national community and welfare reforms to each other provide the background, an explanation of a kind, for the present fixation on *folkhemmet* as the unifying and nation building key concept in the history of the Swedish welfare state. The analyses of Hansson's brand of socialist reformism, with its stress on national co-operation and inclusive reforms, make several good points.[35] Their problematic aspect is the exaggerated explanatory power invested in that single metaphor.

The one-sidedness in the *folk*-interpretation is also slightly problematic as it paves the way for simplifications. Bo Stråth, mainly following Trägårdh, argues that the Social Democrats conquered the concept of *folk* from the Conservatives after a protracted discursive struggle and he also indicates that the reunited liberals – the two Liberal parties joined forces in 1934 – decided on a new name, *Folkpartiet*, the People's Party – as a consequence of the Social Democratic success.[36] Both claims can be questioned. In my view, it is hard to argue that the Conservatives actually owned the concept of the people, *folket*, in the beginning of the twentieth century. The concept of the people, understood either as the entire population, the classes of lesser means (as opposed to the elite) or as the electorate, was open for contestation and appropriation from the late nineteenth century onwards and all parties did their best to claim ownership. It was the nation, the fatherland, *fosterlandet*, that the Conservatives claimed exclusive ownership to. The general point is of course that the Social Democrats' *folkish-national* turn disarmed the standing critique from primarily the Conservative camp that the labour movement was anti-national and represented a mere class interest whereas

34 This makes up the central theme in Schüllerqvist, Bengt (1992). *Från kosackval till kohandel. SAP:s väg till makten (1928–33).* Stockholm: Tiden.

35 Cf. note 16.

36 Stråth 2005, 34–36.

the Conservatives looked after the national interest, all of the people.[37] In the 1930s, the Conservatives continued to hammer out the message that the Social Democrats concealed their true identity, that of a socialist working-class party, behind new rhetorical adornments. The new Conservative programme of 1934 set up a strong state, true to Swedish historical traditions and independent of class-interests, as a fundamental political objective and the attacks on 'class egoism', 'class idolatry' and 'red class domination' continued. Following the Conservatives, the socialists were abusing the languages of nation (*fosterland*) and popular sovereignty (*folkstyre*), the preferred conservative synonym to democracy.[38]

In addition, it must be made clear that *folk* was a politically significant concept for all parties, independently of what the social democrats said or did. The general suffrage, introduced in 1921, provided the institutional setting which forced all parties to compete for votes, to reach out to the people in order to maximize support in the new parliamentary democracy. All parties in 1920s were *folkish* in this basic sense and they made use of the *folk*-concept in various ways.[39] One of the liberal parties, *De frisinnade*, called itself the People's Liberal Party, *Frisinnade folkpartiet* or *de folkfrisinnade*, in the elections 1924–1932, and the others followed suit down the *folkish* road: the Farmers' Party (*Bondeförbundet*) of the 1930s was the rural areas' people's party (*landsbygdens folkparti*), the Conservatives (*Högerpartiet*) described themselves as a national people's party (*nationellt folkparti*).[40] By selecting *Folkpartiet* – the People's Party – the liberals reclaimed the name used by one of the liberal parties already in the 1890s and emphasised the old liberal claim to be the true representatives of the people.[41] The Social Democrats

37 Nilsson, Torbjörn (2004) *Mellan arv och utopi. Moderata vägval under 100 år, 1904–2004*. Stockholm: Santérus, 169–170.

38 For the Conservative programme from 1934, *Svenska partiprogram och valmanifest 1887–2010*, Svensk Nationell Datatjänst, http://snd.gu.se/sv/vivill (accessed 13 November 2012). For Conservative attacks, Lindman 1934; Lindman 1935; Bagge 1936. Trägårdh 2002a and 2002b and Stråth 2005 are well aware of this and stress the new ways in which the Social Democrats made use of Swedish history and traditional national symbols. The weakness rests their binary interpretation of *folket* as either a Conservative or a Social Democratic concept. Another issue is the exaggerated importance they assign to the political scientist and Conservative politician Rudolf Kjellén.

39 Hallberg, Mikael & Jonsson, Tomas (1996) 'Per Albin Hansson och folkhemsretorikens framväxt'. In Åsard, Erik (ed.) *Makten, medierna och myterna. Socialdemokratiska ledare från Branting till Carlsson*. Stockholm: Carlsson, 133–141.

40 See *Svenska partiprogram och valmanifest 1887–2010*, Svensk Nationell Datatjänst, http://snd.gu.se/sv/vivill (accessed 13 November 2012).

41 Edling 1996, chs. 4–5, 9, 12; Lundberg, Victor (2007) *Folket, yxan och orättvisans rot. Betydelsebildning kring demokrati i den svenska rösträttsrörelsens diskursgemenskap, 1887–1902*. Umeå: h:ström - Text & kultur, passim.

were definitely successful in appropriating *folket*, but they were not alone and active competitors can be found in all political camps. Their success had little to do with the concept *folkhemmet* or any privileged access to 'the people'. It owned a lot to their welfare politics, *välfärdspolitik*, and the successful ways in which they managed to mobilize popular support.

The primacy of welfare politics

During the election campaign of 1936, the Social Democrats issued a lavishly illustrated single-issue weekly named 'The Government that Left Office', *Regeringen som gick*, a title which referred to their tactical resignation from office right before the summer holidays. That journal, without a single sentence about *folkhemmet*, was all about the economic and social progress produced by Social Democratic welfare politics. Black and white photos and figures illustrated the swift recovery from the depression under the Socialist government and the message laid out in pictures, numbers and words must have been difficult to misunderstand: the new unemployment policies, above all the productive investments in housing and construction, and the agricultural support had saved the country and improved the living conditions for all citizens. The slogan, repeating the central demand from the May Day demonstration that year, in large bold letters read: 'The welfare politics must continue'.[42] *Välfärdspolitik*, welfare politics, stood at the absolute centre of Swedish politics in the 1930s. This was the vitally important concept launched and exploited by the Social Democrats.

There is no doubt that the term 'welfare' has a long history in Swedish political discourses, yet it remained a second rank concept for centuries. That changed in the 1930s when it was politicised and temporalized; it gained momentum and its importance increased dramatically as different actors incorporated it into their competing programmes.[43] Consequently, it became highly contested: 'welfare' and 'welfare politics' were the concepts that the parties competed to control. As far as is known, the Social Democrats started to use 'social welfare politics' (*social välfärdspolitik*) in 1932 as an umbrella for the different measures needed to combat the current economic crisis and 'welfare' climbed to the top in spring the following year when the

42 *Regeringen som gick* (1936) Stockholm: Tiden, 29–31.

43 For this Koselleckian idea, Palonen, Kari (2005) 'Political Times and the Temporalisation of Concepts. A New Agenda for Conceptual History'. In Landgrén, Lars-Folke & Hautamäki, Pirkko (eds) *People, Citizen, Nation. Festschrift for Henrik Stenius*. Helsinki: Renvall Institute, 50–66.

Riksdag's 'welfare committee' tried to come to a decision on the government's innovative 'proto-keynesian' economic policies. 'The welfare committee' – *välfärdsutskottet* – was the popular name for the committee where the cow-trade bargaining took place in 1933.[44] This linked welfare directly to the crisis agreement and provided both an institutional basis and a relatively precise definition of the new concept 'welfare politics'. The new political dictionary from 1937 stated this quite clearly:

> *Welfare politics, the term for the common course, which the Social Democrats and the Farmers' Party agreed upon in the Riksdag in 1933 [--- Following the elections 1936] the Farmers' Party and the Social Democrats formed a coalition government, and this cooperation can be seen as a direct continuation of the welfare politics. The government's programme includes that the Social Democrats abstain from any nationalisation plans and together with the Farmers' Party continue the reform programme.*[45]

The package of expansive labour market, social reforms and agricultural support constituted the Social Democrats 'welfare politics', a future-oriented programme for reform. The comprehensive programme, helping both unemployed workers and indebted farmers, securing both democratic rule and economic progress, had other names too. Prime Minister Hansson sometimes talked about 'positive popular employment policies' (*positiv folkförsörjningspolitik*) and *folkpolitik*, politics for the people, whereas Minister of Social Affairs Möller wrote about the government's 'anti-crisis-politics'.[46] But 'welfare politics' remained the common term used to cover all their different reforms and it appeared in the May Day resolutions, election

44 This is very preliminary and I am sure that further studies will uncover the history of 'welfare politics' – my own project sets out to do that. For details on the complex negotiations, where the parliamentary committee gradually was sidestepped through the intervention of the government and its direct talks with leading party representatives, see Nyman, Olle (1947) *Svensk parlamentarism 1932–1936. Från minoritetsparlamentarism till majoritetskoalition*. Uppsala & Stockholm: Statsvetenskapliga föreningen and Almqvist & Wiksell, 89–164.

45 Dahlberg, Gunnar & Tingsten, Herbert (1937) *Svensk politisk uppslagsbok.* Stockholm: A-B Svensk Litteratur, 389–390. It is probably not necessary to point out that their 400 page book contains no entry called 'folkhemmet'. Both authors were Social Democrats.

46 Hansson, Per Albin (1934) *Demokratisk samverkan eller nationell splittring?* Stockholm: Tiden; Hansson (1936), *Varför vi gick. En redogörelse för regeringskrisen*. Stockholm: Tiden, 5–7, 27–32. See also the collection of speeches in his *Demokrati* from 1935; Möller, Gustav (1936) *Kampen mot arbetslösheten. Hur den förts och hur den lyckats*. Stockholm: Tiden; Möller, Gustav (1938) *Regeringens anti-krispolitik*. Stockholm: Tiden.

manifestos and posters. It was the overarching concept used to describe what they had accomplished and what they set up as the coming goals, and this makes 'politics' instead of 'policies' the correct translation of *välfärdspolitik*. The May Day resolution from 1936 started with a direct appeal: Make this demonstration a 'general call (*generalmönstring*) for continued democratic welfare politics'.[47] A few months later, the election manifesto repeated the credo:

> *The spirit of mutual understanding, created around the crisis policies, has furthered the general reform work in different areas. [---] The Workers' Party calls on the citizens to unite behind continued energetic welfare politics.*[48]

The Social Democrats managed to take full credit for Sweden's rapid comeback from the depression. The welfare programme became a valuable political asset and they took full advantage of this. The election campaign of 1936 focused on Per Albin – the only Swedish politician ever who, like royalty, was referred to only by his first name. The message was that Hansson's government had saved the country and 'Per Albin' alone could guarantee social progress and peace. 'At no earlier point in [Swedish history] had a party so systematically grounded its electoral propaganda...on what had already been accomplished and on [an argument] that the politics of the future should go further on [the same] path'.[49] This 'we conquered the crisis-strategy' paid off handsomely: The Social Democrats increased their support from 41.7 per cent of the votes in 1932 to over 50 per cent six years later.

'The surest sign that a society has entered into possession of a new concept is that a new vocabulary will be developed, in terms of which the concept can then be publicly articulated and discussed', concludes Quentin Skinner, and 'welfare politics' in the 1930s was certainly such a concept.[50] Contestation started immediately and the temperature rose for several years; the new coalition in 1936 with the Farmers' Party and the Social Democrats in a majority government came as a real let-down for the Liberals and Conservatives and the

47 *Socialdemokratiska partistyrelsens berättelse för år 1936*. Stockholm: Socialdemokratiska partiet, 7.

48 Election manifesto 1936, *Svenska partiprogram och valmanifest 1887–2010*, Svensk Nationell Datatjänst, http://snd.gu.se/sv/vivill (accessed 13 November 2012).

49 Tingsten 1941 Vol. 1, 377 quoted from Berman 2006, 175. On the elections in the 1930s, Esaiasson, Peter (1990) *Svenska valkampanjer 1866–1988*. Stockholm: Allmänna förlaget, 152–161.

50 Skinner, Quentin (1978), *The Foundations of Modern Political Thought* Vol. 2 quoted from Farr, James (2004) 'Social Capital. A Conceptual History'. *Political Theory*, Vol. 32, Issue 1, 10.

temperature fell in the latter half of the decade. In general, non-socialist critique of the new labour market policies and social reforms regularly focused on the need for fiscal moderation, the dangers of producing 'artificial jobs' through state intervention and on the grave threats to the free economy caused by the socialists' planned economy.[51] The battle-cry 'system change', *systemskifte* (a concept familiar from the Swedish politics in the 1980s) was the direct answer to the crisis agreement and the new economic policies. *Folkhemmet* was not a target, while *välfärdspolitiken* constituted the prime trophy. The Conservative critique followed three well-known lines from Hirschman's typology: 1) it argued that the reforms were costly and dangerous experiments – 'welfare policies that undermine welfare', warned party leader Gösta Bagge, 2) the Social Democratic reforms would have adverse effects and produce a welfare-mentality, a dependency on the state, 3) the reforms were of minor significance compared to the general economic recovery which would have taken place without any costly social reforms.[52] Variations of these three themes can be found in numerous attacks on the Social Democrats in the 1930s, texts where wealth-producing reforms were contrasted to Socialist planning and wastefulness. The welfare-mentality-critique (*understödstagarandan*) accompanied the crisis agreement from the start; the Conservatives contrasted their productive social policy, securing economic growth, with the Social Democrats' generous alms-giving producing collectivism.

'The Social Democrats have launched a slogan and they want to base their entire election campaign on this slogan welfare politics', noted party leader Bagge in 1936 well aware of the stakes involved. He attacked the socialist welfare myth and warned about the long-term dangers involved: that of a socialist planned economy. But the imminent threat was equally grave because the social Social Democrats were about to conquer 'welfare' and they did this by portraying themselves as the only positive force in the history of Swedish social policy.[53] The welfare of the nation was the common objective of all parties, declared the Conservative chairman and introduced what would become the Conservative answer, an attempt to take back 'welfare' from the Social Democrats: we also contributed to the now popular social and economic

51 For overviews, Lewin, Leif (1970) *Planhushållningsdebatten*. Stockholm: Almqvist & Wiksell (2nd ed.), ch. 2; Carlson, Benny (1994) *The State as a Monster. Gustav Cassel and Eli Heckscher on the Role and Growth of the State*. Lanham, Md.: Univ. Press of America, chs 8, 12.

52 Bagge 1937, 78; Hirschman, Albert O. (1911) *The Rhetoric of Reaction. Perversity, Futility, Jeopardy*. Cambridge, Mass.: Belknap Press. For earlier attacks, Lindman, Arvid (1934b) *Med högern för systemskifte. Tal av Arvid Lindman vid det nationella medborgartåget i Stockholm söndagen den 27 maj 1934*. Stockholm: Allmänna Valmansförbundet; Lindman 1935 and 1936.

53 Bagge 1936, 60–63, 71–73, 91–94, 98–112, quote 98.

reforms.[54] The Liberals argued along similar lines and questioned the Social Democrats' monopoly on welfare: the main aspects of 'the so-called welfare politics' had support from Liberals, Farmers and Social Democrats. No party, argued party leader Andersson, owned the welfare reforms – to distance himself he put 'welfare politics' within quotation marks – and no party could claim sole responsibility for the economic recovery.[55] Like the Conservatives, the Liberals also wanted a share of the welfare reforms, and this agenda, the fight to reclaim 'the welfare politics' of the 1930s and correct the hegemonic Social Democratic interpretation remained a topic in later Liberal election handbooks, and the struggle to include the Liberals into the recent political history continued in the party leaders' memoirs.[56]

The coming of the welfare state

The Liberals and Conservatives largely failed to make 'welfare politics' common political property. Indirectly, the on-going critique from the non-socialist parties confirmed the political success of the Social Democrats and their control of the key concept; the Social Democrats managed to spread the message that the government had saved the country and that only one party was the true provider of *välfärdspolitik*. To paraphrase Pauli Kettunen, the Social Democrats could claim ownership to the language and ideology of the virtuous circle of welfare politics, or to quote Esping-Andersen: 'The net effect, be it warranted or not, was the emergence of a synonymity between the Social Democratic movement, political democracy, economic prosperity, and social welfare'.[57] Economists and economic historians nowadays stress the general economic changes and reduce the impact of the crisis programme.[58] The Social Democrats promoted the opposite interpretation and did quite

54 *Politisk valhandbok 1938*. Stockholm, 20, 64; *Politisk valhandbok 1940*. Stockholm, 140–141; *Politisk valhandbok 1942*. Stockholm, 134–137. All were published by Högerns riksorganisation.

55 Andersson i Rasjön, Gustaf & Ohlin, Bertil (1936) *Välfärdspolitiken, valet och framtiden*. Stockholm: Folkpartiet (Politikens dagsfrågor 8), see *Folkpartiets valhandbok, Vol. 2. Riksdagsmannavalet 1936*. Stockholm: Folkpartiet (Politikens dagsfrågor 7), 5–6, 12–15. Ohlin 1936 completely avoided *välfärdspolitik* and used 'welfare arrangments' (*välfärdsanordningar*) and 'social policy' (*socialpolitik*).

56 *Folkpartiets valhandbok, Vol. 6. Kommunalvalen 1950*. Stockholm: Folkpartiet, 54–55; *Folkpartiets valhandbok, Vol. 7. Andrakammarvalen 1952*. Stockholm: Folkpartiet, 114–116. Andersson i Rasjön, Gustaf (1955) *Från bondetåget till samlingsregeringen*. Stockholm: Tiden, 123–129; Ohlin, Bertil (1972), *Memoarer, Vol. 1. Ung man blir politiker*. Stockholm: Bonniers, ch. 16.

57 Esping-Andersen 1992, 44.

58 For a recent overview, Schön, Lennart (2010) *Sweden's Road to Modernity. An Economic History*. Stockholm: SNS, 281–307.

well at establishing that message as the political and popular explanation. This caused frustration in the non-socialist quarters and we find sarcastic comments on the fantastic performance of the Social Democratic government:

> *The whole nation should by now know that Mr Per Albin Hansson has created the welfare state in Sweden, that Mr Gustav Möller saved us from the crisis, that Mr Ernst Wigforss is the best Treasurer of the Realm [rikshushållare] of all time [---] All these truths are clear and evident from the Social Democratic election preaching from Ystad to Haparanda. [---] The members of the latest socialist government are already omniscient and omnibenevolent. Now, the only task that remains is to get the voters to make them omnipotent too.*[59]

In the latter half of the 1930s, when liberals and conservatives complained about their lack of influence and attacked 'the myth about the importance of "the welfare politics"', the country of the Middle Way with its celebrated 'new deal' was becoming a minor international success.[60] Foreign guests marvelled over the wonders of the economic recovery and the seemingly harmonious labour market relations. The Swedish stocks were rising and the praise abroad attracted attention back home; Social Democratic propaganda repeated these statements, and these positive reports reinforced Social Democratic self-understanding.[61] As Gustav Möller explained in 1940, when summing up the achievements of the past decade brought to a halt by the war, 'We were on our way to rebuild old Sweden into a social welfare state. It was not an exaggeration to claim that we in Sweden had advanced further than any other country, maybe with the exception of New Zealand.' The war had brought an end to partisan competition and strife, so Möller did not give the credit to solely his own party. Instead, he used the inclusive 'we' and a great portion of national pride to describe the triumph: 'We were, to repeat, right in the middle of a construction project that was about to transform Sweden to a "social state"

59 The liberal daily *Dagens Nyheter* 8 September 1936, quoted from Torbacke, Jarl (1972) *Dagens Nyheter och demokratins kris*, Vol. 1. *1922–1936, Friheten är vår lösen*. Stockholm: Bonniers, 301.

60 Heckscher, Gunnar (1936) ' Högerns valnederlag' *Svensk tidskrift*, Vol. 23, 626.

61 See e.g. 'Ljuset från Norden. Välfärdspolitikens eko i utländsk press' and 'Sverge åter blickpunkt för Europa', *SAP-Information. Utgiven av Socialdemokratiska Partistyrelsens Informationsavdelning*, 1936 Vol. 1, Issues 18–19, 304–307, 317–322. On Sweden's rise as a model society, Musial, Kazimierz (2002) *Roots of the Scandinavian Model. Images of Progress in the Era of Modernisation*. Baden-Baden: Nomos Verlagsgesellschaft, 80–94 and ch. 4. See also, Alm, Martin (2002) *Americanitis. Amerika som sjukdom eller läkemedel. Svenska berättelser om USA åren 1900–1939*. Lund: Lunds universitet, 162–165; Marklund, Carl (2009) 'The Social Laboratory, the Middle Way and the Swedish Model. Three Frames for the Image of Sweden'. *Scandinavian Journal of History*, Vol. 34, Issue 3, 264–285.

[*socialstat*] of the highest order.'[62] He was definitely proud – Sweden was the most advanced country in the world in social matters – but not content since deprivation and poverty were still a part of Swedish society, and he finished his speech by reminding his fellow citizens, the people, that the reconstruction project would continue after the war. The primacy of welfare politics would continue to form Social-Sweden. 'Social-Sweden', Möller's concept, would guide the Social Democrats' welfare politics of the early post-war era.

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62 Möller, Gustav (1940) ***En svensk väg genom krisen.*** Stockholm: Tiden, 11–12. The headline of this subchapter in the pamphlet is 'Sweden was on its way to become a leading social country', ***Sverige var på väg att bli ett socialt föregångsland***. On Möller's programme, Åmark, Klas (2005) ***Hundra år av välfärdspolitik. Välfärdsstatens framväxt i Norge och Sverige***. Umeå: Boréa, 66–76.

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SO MANY ROADS AND NOWHERE TO GO
How the Swedish Social Democrats are losing the battle about the Nordic model.

URBAN LUNDBERG AND KLAS ÅMARK

For decades Social Democratic pilgrims from around the world travelled to the Scandinavian countries for comfort and support. Even if they were struggling at home they could always find relief in the unceasing successes of their brother parties in northern Europe. The accomplishment was indeed remarkable. In Sweden, our focus in this chapter, the Social Democratic party was unique in the unparalleled length of time in government for any party in the democratic and industrialized part of the world. In many ways the Swedish case tells its own story, but also in Denmark and Norway, Social Democracy eventually developed into a hegemonic social order, that in the words of Norwegian historian Francis Sejerstedt 'left its stamp on every sector of society, the economy, welfare, culture, education, and family.'[1]

Today, of course, the situation is different. Social Democratic parties are still competitive; from time to time even able to form a government, but the grand metaphors and sense of historical mission which used to frame their political endeavour have vanished. Instead, they are involved in a losing battle against shrinking membership figures and disappointing election results. Even if the pilgrimage has not ended, it is nowadays caught up with a malicious interest in the problems tormenting the modern day Social Democrat: political infighting, reduced policy impact, unstable identities, and a growing discontent in the relationship between the parties and the trade unions. Even the welfare state, once a 'Social Democratic road to power' to speak with Gøsta Esping Andersen, has become a source of distress. In both Sweden and Denmark, conservative parties have accomplished an extreme makeover in recent years; they are now appearing as socially responsible, ecologically sensitive stewards of a welfare state in need of perpetual restructuring and reform.[2]

1 Sejersted, Francis (2011) *The age of social democracy: Norway and Sweden in the twentieth century*. Princeton: Princeton University Press.

2 Lundberg, Urban & Petersen, Klaus (2012) 'Wanted: A Good Cleavage! Body Snatchers, Desperadoes and the Real McCoy', paper presented at the conference 'Cleavage 2.1: Revolutions and Conflicts in the 21st Century', in Paris, March 8–9, 2012.

To explain this dull predicament most researchers return to external circumstances, such as the diminishing industrial working class, the emergence of the service economy, ageing populations, the return of mass-unemployment, increasing levels of immigration, the impact of neoliberal thinking, the Europeanization of politics, and the workings of the global economy, and so forth.[3] These factors are of course important, or essential, for anyone interested in understanding the decline of Scandinavian Social Democracy, as well as the deterioration of Social Democratic parties in any other European country. The world has changed and with it the preconditions for Social Democratic success or failure.[4]

Our interest in this chapter, however, is somewhat different. After all, one of the main characteristics about Scandinavian social democrats was their ability to transform gloomy prospects into strategic opportunities and continued political influence.[5] This happened in the early 1930s – in the midst of the Great Depression – when they formed an alliance with the farmers movement which allowed them to tackle mass unemployment with Keynesian demand policies.[6] It happened in the late 1930s with the so-called 'historical compromise' between labour and capital, one of the key stones in the notion of a Scandinavian or Nordic model.[7] It happened during the post-war period when the public social insurance system was designed in order to secure middle class support for the ongoing welfare project.[8] In this sense, Scandinavian Social Democracy has been a notorious shape-shifter with a manifest ability to alter the social and political dynamics to its own advantage.[9]

3 Ryner, Magnus J. (2002) *Capitalist restructuring, globalisation and the third way: Lessons from the Swedish model*. London: Routledge; Pierson, Christopher (1995) *Socialism after Communism. The New Market Socialism.* Pensylvania UP 1995; Andersson, Jenny (2010) *The library and the workshop: Social democracy and capitalism in the knowledge age*. Stanford, Calif.: Stanford University Press.

4 Schumacher, Gijs (2011) *Modernize or die'. Social Democrats, Welfare State Retrenchment and the Choice between Office and Policy.* University of Amsterdam.

5 Esping-Andersen, Gøsta (1985) *Politics against markets: The social democratic road to power*. Princeton, N.J.: Princeton Univ. Press.

6 Bergström, Villy (1993) 'Party programs and economic policy: the Social Democrats in government'. In Misgeld, Klaus, Molin, Karl & Åmark, Klas (eds) *Creating Social Democracy. A Century of the Social Democratic Labor Party in Sweden*. Penn State Press.

7 Korpi , Walter (1978) *The working class in welfare capitalism: Work, unions and politics in Sweden.* London: Routledge & Kegan Paul.

8 Svensson, Torsten (1994) *Socialdemokratins dominans: En studie av den svenska socialdemokratins partistrategi*. Uppsala: Uppsala universitet; Berman, Sheri (2006) *The primacy of politics: Social democracy and the making of Europe's twentieth century.* Cambridge: Cambridge University Press.

9 Moschonas, Gerassimos (2002) *In the name of social democracy: the great transformation, 1945 to the present*. London: Verso.

However, somewhere along the line Scandinavian social democrats apparently lost the magic touch. For almost forty years they have been largely incapable of developing a future oriented project of any lasting impact. The closest they get is probably their contribution to the austerity plans and economic recovery of the 1990s and early 2000s, loosely tied to Anthony Giddens much debated vision of the 'Third Way'. But one can very well argue that their attachment to this realignment process in fact paved the way for the current conservative revival.[10] Rather, as we will highlight in this chapter, the contemporary history of social democracy in Scandinavia is a history of misguided efforts to recall the strategic and political capacities which once upon a time gave them a taste of perpetual political influence.

The weakening of Scandinavian Social Democracy is closely intertwined with the structural factors and external processes enumerated above. No serious explanatory attempt could do without them. Though, by conducting an archaeological excavation into the growing pile of already forgotten policy initiatives, we will demonstrate that part of the responsibility must fall on the Social Democrats themselves and their inability to dissolve the dilemmas which are placed before them. In the following our empirical examples cover the Swedish case, which we believe is especially informative, but we are confident that a similar line of reasoning could be applied on the Norwegian, Danish, even Finnish, examples as well.

Programme for the 90s

In the late 1980's and early 1990's, the Swedish social democrats were facing problems which are similar to many of the problems they are confronting today. The party noted severe losses in the opinion polls, and had serious difficulties in the three largest cities in Sweden, Stockholm, Malmo and Gothenburg. Its long-term power base was disrupted, among other things by economic internationalization and the growth of a new strong middle class.[11] The party was also tormented by an internal debate over economic policy and public sector reform – the so called 'war of the roses'. The 'right-wing' alternative in

10 Lundberg, Urban & Petersen, Klaus (2006) 'Välfärdsstatens seger – politikens död? Spelet om välfärdsstaten i Sverige och Danmark'. In Lundqvist, Torbjörn (eds) *Den kreativa staten: Framtidspolitiska tendenser*. Stockholm: Institutet för framtidsstudier; Giddens, Anthony (1998) *The third way: The renewal of social democracy*. Cambridge: Polity Press.

11 Åmark, Klas (1993) 'Afterword: Swedish Social Democracy on a historical threshold'. In Misgeld, Klaus, Molin, Karl & Åmark, Klas (eds) *Creating Social Democracy. A Century of the Social Democratic Labor Party in Sweden*. Penn State Press.

this debate was represented by influential policy makers in the Department of Finance while the 'left wing' alternative drew support from the top echelons of the Trade Union Federation, the LO.[12]

Table 1 Social Democratic election results (%) in the Swedish parliamentary elections, 1964–2010

1964	47,3
1968	50,1
1970	45,3
1973	43,6
1976	42,7
1979	43,2
1982	45,6
1985	44,7
1988	43,2
1991	37,6
1994	45,3
1998	36,4
2002	39,9
2006	35,0
2010	30,7

After the election in 1988, Prime Minister Ingvar Carlsson, successor to Olof Palme, managed to stay in office after a minor setback (election results, see Table 1). But the leadership recognized that the labour movement was in deep trouble, and decided to appoint a commission with representatives for the party and the LO with the task to write a programme for the coming decades.[13] The working group did not become very successful. Its effects on the

12 Already in 1982 Prime Minister Olof Palme appointed Bo Holmberg as Minister of Public Administration with the two-sided task of democratizing the public sector and to make it more cost effective. Holmberg, however, turned out to be a failure. Thinking along traditional tracks he was unable to gain support for his vision of a decentralized public sector infused with local self-government and cooperative initiatives. *Fokus* nr 2, 2010, Mellbourn, Anders (1986) *Bortom det starka samhället: socialdemokratisk förvaltningspolitik 1982–1985*. Stockholm: Carlsson; Åmark1993; Östberg, Kjell (2009) *När vinden vände: Olof Palme 1969–1986*. Stockholm: Leopard, 297–300.

13 90-talsrprogrammet, 5 f.

members' individual carriers can also be discussed. In just a few years, almost all of them had lost their influence in the party leadership Anna-Greta Leijon had been Minister of Labour and then Minister of Justice, but was forced to leave her office after a scandal in the reconnaissance after the murder of Olof Palme. In 1988, she returned to Parliament and was appointed chair of the Parliamentary committee on finance. But she had to leave that post too in the spring of 1990.[14]

Kjell Olof Feldt was one of the most prominent members of the Social Democratic leadership in the 1980's. But he claimed that he did not get the influence over economic policy he wanted and resigned from his post as Minister of Finance in the spring 1990.[15] This step undermined the authority of his close associate Klas Eklund, secretary in the commission. Eklund later went on to become an economist in the bank sector and writer of economic textbooks. Bo Toresson was installed as Party Secretary in 1982 but had to leave his post in 1993. Stig Malm, chairperson of the LO, was forced to step down after a conflict with the party leadership in 1993.[16] Rune Molin, vice chairperson in the LO, was appointed Minister of Industry in 1990, but left his assignment after the defeat in the election in 1991.

The *Program for the 90's* was remarkable from several aspects. Not only was it written by a group of soon to be losers in the Labour movement. It was intended to be a programme in between the party programme and a more concrete action programme. There was a famous forerunner, the *Labour Movement's Post-War Program*, published in 1944. That programme was also produced by a joint working-group consisting of members from the party and the LO, and played an important role in the renewal of Social Democratic policy in the aftermath of the Second World War. In comparison, *Program for the 90s* was written in a novel style. Party programmes are usually composed in a very concise manner, with short sentences and few words. *Program for the 90's* on the other hand is written with many words, but with few concrete suggestions.

It was also – typical for Swedish Social Democrats – created for a political movement in power. The programme contains no overview of the party political landscape in Sweden at the time; there is no discussion about the prospects for the party to stay in government; and there is no mentioning about possible

14 Leijon, Anna-Greta (1991) *Alla rosor ska inte tuktas!* Stockholm: Tiden.

15 Feldt, Kjell-Olof (1991) *Alla dessa dagar-: i regeringen 1982–1990.* Stockholm: Norstedt. See also the memoirs of Ingvar Carlsson for an alternative take on the fall of Kjell-Olof Feldt. Carlsson, Ingvar (2003) *Så tänkte jag*. Stockholm: Hjalmarson & Högberg.

16 Malm, Stig (1994) *13 år*, Stockholm: Brevskolan.

allies or coalition partners.[17] When the Social Democrats lost the election in the fall of 1991, and had to leave Government, the circumstances for the party's strategy changed dramatically which made much of the programme's content obsolete.

It also lacks an analysis of the international arena. Only six months after that the programme was finished, the Berlin Wall fell, an event which was followed by the disintegration of the former Socialist bloc, and eventually the emergence of a completely new political situation in Europe. As one of many consequences of this rapid development, the Social Democratic party changed its position on the European Union and embarked on a process which ended with a Swedish membership in 1995. This change in the overall preconditions for Swedish politics was not foreseen or commented on in Program for the 90's.[18]

When the Social Democratic party celebrated its 100th anniversary in 1989, a group of Swedish and international historians and social scientists published an anthology about the party's history since the founding one hundred years earlier. The sociologist Göran Therborn contributed with a chapter on the party's road to power, with the title: 'Nation and class, luck and competence – roads to continual (?) power'.[19] From Therborns perspective, a programme authored by failures and obsolete before the ink has dried on the paper is not very interesting.

From our perspective, however, it is the other way around. Here, we are looking for signs of disappointment and defeat. *Program for the 90's* then become an interesting example of how the Social Democratic movement at a critical juncture failed to formulate a future oriented vision. We are going to look closer on two chapters of the programme, the one about the public sector and the one about environmental policy – two policy fields where the Social Democrats have had major problems in developing convincing and lasting strategies.

17 For the reception of the programme, see Arbetarhistoria nr 1–2, 1990.33–53.

18 See for example the memoirs of Ingvar Carlsson (*Så tänkte jag. Politik & dramatik*, Hjalmarson & Högberg, Stockholm, 2003).

19 Misgeld, Klaus, Molin, Karl & Klas, Åmark (eds)(1989) *Socialdemokratins samhälle: SAP och Sverige under 100 år*. Stockholm: Tiden. – In the English translation of this book, published in 1993, Therborn had adjusted his title to a less prophetic and more historical one: 'A unique chapter in the history of democracy: the Social Democrats in Sweden', Misgeld, Molin and Åmark 1993.

Reforming the public sector

The section on the future of the public sector in the Program for the 90s begins with an important precondition, or even dilemma. The citizens' needs of public service are still growing, the programme states, but then it adds that further, major contributions are inconceivable. Two arguments were offered to support this crucial statement. The first was that there was a shortage of available labour. Twenty years earlier, the public sector could expand by employing women, but now there was no labour reserve to obtain. The second argument was that it no longer was possible to raise the taxes.[20] This was a particularly dramatic analysis for a Social Democratic party. For many decades, the Swedish Social Democrats had solved upcoming political problems by expanding the public sector and raising the taxes to pay for the expansion.[21] When this strategy was declared obsolete, they ended up in a political situation, which they still haven't found any credible solution to.

So, what could be done instead of expansion? With many words Program for the 90s explains that there actually existed new possibilities. The number one priority was to decentralize the public sector and to make things run more effective. As a consequence politicians had to redefine their role as public servants. Instead of collecting and handing out money they had to establish well-defined goals for the services and then evaluate the results. They were also advised not to make decisions about details, but to leave this task to the employees and public officials directly responsible for the service in question.[22] Another proposal was to move the financial and administrative responsibility for sickness and other caring services for older persons from the regional authorities to local governments.[23] Only in this way could Social Democratic policy be adjusted to the needs and wishes of the individual citizen: 'Facing the 90s, the labour movement shall more distinctly put the individual's development as the starting point for its policy', the programme declares.[24]

Concerning the future organization of the public sector, this meant that individuals' should be able to choose more freely between different service producers – but only between public alternatives. The programme committee did not recommend private or market based solutions, since they would only

20 90-talsprogrammet, 174.

21 90-talsprogrammet, 180.

22 90-talsprogrammet, 171–230.

23 90-talsprogrammet, 214–219.

24 90-talsprogrammet, 55.

increase segregation. It should be possible for parents to choose schools with an alternative educational programme, such as Montessori and Waldorff schools – there were a few of each kind in Sweden at the time, so this did not mean any serious challenge to the existing school system. But the programme opened up for cooperative solutions, such as nursery schools administered by parents or personnel. Taken together, the programme's vision of a public sector, with elements of cooperative ventures, that offered a wide range alternatives for the individual to choose between, were said to open up a 'third way' between bureaucratic stiffness on the one hand and commercialization on the other hand.[25]

Although related to what later became known as New Public Management strategies, Program of the 90s did not anticipate the dynamic that would characterise public sector restructuring in Sweden and other countries over the following decades.[26] Privatization was not part of the agenda, and the idea of freedom of choice was narrowly defined in terms of self-organizing, rather than as an absolute individual predicament. Consequently, when the non-socialist parties gained power in 1991, the whole discussion tilted in an unforeseen direction. Their intention was to privatise as much of the welfare services as possible. In doing this they were stressing the freedom of choice for the individual, and the rationalisation they expected to take place as a result of market competition. In this sense, Program for the 90's was looking in the rear-view mirror rather than forward, into the future.

During the second half of the 1990's, the Social Democrats made new attempts to renew its position on public sector reform, but now it was democracy itself which was placed on top of the political agenda. Prime Minister Göran Persson appointed a special parliamentary committee to investigate the quality of Swedish democracy. The committee was chaired by the former minister of Culture and Education, Bengt Göransson, and with representatives from all political parties represented in Parliament. The committee chose to develop a general perspective on the current condition of democracy, using a number of social scientists as experts. The result was disseminated in the form of 32 small publications and 13 research volumes, which were distributed to all public libraries and all school libraries in the country.[27]

25 90-talsprogrammet, 224.

26 On New Public Management strategies, see George, Vic & Taylor-Gooby, Peter (eds)(1996) *European welfare policy: Squaring the welfare circle.* Basingstoke: Macmillan.

27 SOU 2000:1, Demokratiutredningen, *En uthållig demokrati!:politik för folkstyrelse på 2000-tale. Demokratiutredningens betänkande*, Stockholm.

The final report was a contribution to the general debate about democracy and its fundamental values rather than a platform for concrete reforms. In this sense, the report could be described as a tribute to the form of popular, representative democracy which is typical for popular movements in Sweden. The report was more worried over voter passivity and diminishing election turnout than over the functioning of the existing political parties. It was the voters who were the problem, not the parties, the representatives for the parties declared. Yet a number of reforms, aiming at vitalising local democracy were suggested. But all in all these proposals were more oriented toward strengthening the kind of democracy which was already in crisis than trying to create new forms of popular involvement.[28]

After the election in 1998, Prime Minister Göran Persson chose to appoint a special Minister for Democracy, the young Britta Leijon. She was the daughter of Anna Greta Leijon and had experience from a trade union for state employed white collar workers. Leijon was not able to influence the big committee on democracy headed by the old-timer Göransson. Instead, she appointed a committee of her own, with the task to investigate democracy in the municipalities. Finally, after more than three years in office, Leijon could present a government bill on local democracy. She suggested that local governments should give every citizen the right to make suggestions to the municipal councils. This proposal can be seen as a critique of the political parties' incapacity to engage citizens on the local level.[29]

When Leijon introduced her bill to the Social Democratic parliamentary group, the reaction was strong and critical. After much debate, Prime Minister Göran Persson allowed her to present the bill to Parliament, but the public reaction was most unfavourable. Leading political scientists criticised the bill for being one-sided and much to narrow. In preparing the bill, Leijon had forgotten to evaluate the role of the political parties and their democratic responsibility, they argued. And the major Social Democratic paper Aftonbladet declared that Leijon even had forgotten the electorate.[30] In the parliament, party loyalty turned out to be strong, so the parliament endorsed the bill in spite of the criticism against it.[31] After five years, 194 of the 290 local governments

28 SOU 2000:1.

29 The Governments proposition 2001/2002:80.

30 Peter Kadhammar in Aftonbladet 4.11.2002, Lena Mellin in Aftonbladet 22.1.2002, DN Debatt, 22.1.2002, article by Olof Petersson, Sören Holmberg, Leif Lewin, Hanne Marthe Narud.

31 Parliamentary minutes 2001/02: KU 14 Demokrati för det nya seklet.

and nine of the twenty regional governments, permitted citizen's suggestions but the effects on the working of Swedish democracy seem to be minimal.[32]

Half a year later, after the election in the fall 2002, Göran Persson sacked his Minister of Democracy without appointing any successor and after the electoral setback in 2006 the party had to leave the Government. But by then, the Party had already since long removed the whole idea of reforming the public sector through citizen engagement and a revitalization of popular democracy from its agenda.

The Green People's Home

Swedish Social Democracy has always been a party which promotes industrialisation, urbanisation, development and modern technology. Nature originally represented the resources needed to improve living conditions for the majority of the people. Therefore, the environment has been far from a prioritized policy issue.[33]

Environmental policy basically meant steps to prevent major accidents with spills from the big industries, etc. In the 1970's, the Centre party, former the Agrarian party, successfully re-launched itself as a party with a green profile, including a negative attitude towards nuclear energy. After a historic victory in the 1976 election, the head of the party Torbjörn Fälldin could form the first non-socialist government in 44 years. After the accident in the American nuclear power station Three Miles Island, a referendum on the future of nuclear energy in Sweden was held in 1980. The referendum resulted in a narrow victory for the alternative advocated by the Social Democrats and the Liberal Party, which implied that Sweden should dismantle its dependence on nuclear energy, but in a 'responsible manner' and without endangering the competitiveness of Swedish industry and the goal of full employment.[34]

In 1987, the former Norwegian Prime Minister Gro Harlem Brundlandt published a UN report on Environment and Development.[35] It became a much

32 Faktablad. *Projekt medborgardialog, 3 medborgarförslag,* Sveriges kommuner ocn landsting April 2007.

33 Lundqvist, Torbjörn & Carlsson, Märta (2004) *Framtidspolitiken: visionen om ett hållbart samhälle i svensk politik*. Stockholm: Institutet för framtidsstudier; Nyberg, Sven (2012) 1LO, jobben och miljön', *Arbetarhistoria 2012*:3, 24–28.

34 Anshelm, Jonas (2000) *Mellan frälsning och domedag: Om kärnkraftens politiska idéhistoria i Sverige 1945–1999.* Eslöv: B. Östlings bokförl. Symposion.

35 Report of World Commission on Environment and Development, *Our common future*, Nairobi, 1987.

observed and discussed report. It showed to Swedish Social Democrats that even the labour movement could be aware of environmental problems and formulate a policy truthful to its historical ideals. Shortly after the publication of this report, Prime Minister Ingvar Carlsson appointed the first Minister of Environment and Energy ever in a Social Democratic government, Birgitta Dahl. In the general election in the fall 1988, the Green party entered Parliament for the first time.

The steering committee for the Program of the 90's identified the environment as one of four policy fields crucial for the party's future. Nevertheless the section on environment is predominantly written to convince traditional Social Democrats, especially industrial workers, that these issues are not only significant but also solvable within a traditional Social Democratic approach. Reforms should be made, but incrementally, almost invisible, and in close relation to the development in other policy areas: 'The governing tools of environmental policy will be overlooked and tightened'; ' The legislation has to be tougher', are typical formulations.[36] Symptomatically, also in this policy field, the programme argued for a Third Way, this time between conservatives who wanted as little done as possible on one hand, and bureaucratic control and central planning, on the other. Another recurring theme was the optimistic attitude towards science and modern technology, which eventually would provide new solutions. Environmental policy of the pragmatic Social Democratic kind, it was stated, was not incompatible with economic growth and industrial development.[37]

All in all, the working group really tried to integrate environmental concern in the traditional framework of Social Democracy, but it was not really successful in this attempt. The measures which were proposed were overwhelmingly technical; much of the discussion was devoted to narrow details, for example what can be done with chemical hazards, transports, agriculture etc., and a broader more compelling appeal was never developed. In the end, citizens with a serious concern for the environmental were left with a document that remained within the long-established confines of the labour movement itself.

In 1996, Göran Persson was surprisingly chosen as the successor to Ingvar Carlsson. Only the sixth chairperson for a party founded already in 1889, and succeeding well-known figures such as Hjalmar Branting, Per Albin Hansson, Tage Erlander, and Olof Palme, Persson was well aware of his place in the

36 90-talsprogrammet, 66.

37 90-talsprogrammet, 61–111.

Party's history. In order to continue this impressive legacy, he needed a profile and an ideological vision of his own. Already from the beginning of his ten year long period as party leader, he chose to emphasize the environment as a fundamental challenge for the party. In his first major speech as party chairperson, at the congress in 1996, he presented his dream of creating a 'Green People's Home', a vision which recalled the party's glorious past. Perssons speech attracted much attention. However, in later speeches he typically opted for the more neutral phrase, sustainable development – a key concept in the Brundtland report which was never cited in the Program for the 90's.[38]

Persson also recruited a policy adviser of his own, the author and educated biologist, and fellow Christian, Stefan Edman. The objective was to establish the labour movement as a frontrunner in the public debate on a wide range of environmental issues. In his capacity as policy advisor, Edman was provided with a secretariat of his own and exclusive access to the Prime Minister's office. The arrangement, however, created a rather awkward situation for the newly appointed Minister of Environment, the party's rising star, Anna Lindh.[39]

In his memoirs Persson claims that he made a lot to advance environmental concern in Sweden during his ten years as Prime Minister. He also tried to establish a close cooperation with the Green party on changes in the tax system which would incite environmental concern. But in spite of these efforts, when Perssons tenure ended, the Social Democratic party was still far away from assuming the green profile that he had hoped for.[40] Instead he was caught up in the typical dilemmas of the labour movement. How can a positive attitude to big industry be combined with a more demanding stance on environmental policy? For example, both the engineering industry and the paper and paper pulp industry, so important for Swedish economy, required a lot of cheap electricity, while the typical green activist was negative to the nuclear power industry which was providing about half of the electricity in Sweden.

Another problem was that the issue became too ambiguous. In the programmatic documents produced by the Social Democratic party between 1996 and 2006, the concept 'sustainable society' gained importance. But also this approach to the environmental complex changed dramatically over the years, from a narrow ecologist interpretation close to the Brundland Report

38 Fichtelius, Erik (2007) *Aldrig ensam, alltid ensam: samtalen med Göran Persson 1996–2006*. Stockholm: Norstedt, 29–48, Lundquist & Carlsson 2004.

39 Franchell, Eva (2009) *Väninnan: rapport från Rosenbad*. Stockholm: Bonnier.

40 Fichtelius, 47 f.

in the early years of Göran Perssons term as Party Leader, to a wider appeal, encompassing almost all aspects of the modern welfare state. By the mid-2000s almost every political problem could be solved by referring to sustainable development; it would produce economic growth, new technical solutions, social security, a more healthy population, improved integration between Swedes and immigrants, and so on.[41]

Simultaneously, a bundle of new environmental challenges entered public debate, not least the prospect of climate change. However, the policy solutions developed in Stefan Edman writings on sustainable development did not focus on the climate, so again the Social Democrats were left in a position from which they had a hard time to develop a reliable alternative. All this came to an end with Göran Perssons defeat in the general election in 2006 which resulted in his resignation as Party Leader in 2007. By consequence Stefan Edman lost his role as an influential advisor to the Social Democratic leadership. The new leadership took a different stance. Instead of building on the work of Persson and Edman, it decided to redefine its concern for the environment altogether. Today neither the vision of a Green People's home nor the hope for Sustainable Development is used in the Party's rhetoric.[42]

Profit and welfare

The *Program for the 90's* was written as a programme for a party in power. Two years after it was published, the Social Democrats lost the election in 1991, and Carl Bildt, the Party Leader for conservative Moderata Samlingspartiet, became Prime Minister. After three years, in 1994, things went back to normal. The Social Democrats won the election and Ingvar Carlsson could return as Prime Minister. The first years of the new government was dedicated to the task of cleaning up the economy and public finances after the deep economic crisis that hit Sweden in the early 1990's. During these circumstances there was not much time for discussions on either environmental issues or public sector reform.

In the election 2006, the Social Democrats lost the election again and had to leave government.[43] A couple of years earlier, the non-socialist parties had

41 Lundqvist & Carlsson 2004, Lundqvist 2006.

42 The present- day formulation is 'a ecologically longterm sustainable society', (ekologiskt långsiktigt hållbart samhälle), see for example Socialdemokraterna, *Framtidspartiet i svensk politik*, 12.11.2012.

43 See for example Göran Perssons memoirs, *Min väg, mina val*, Stockholm, Bonnier 2007, and his published interviews with the journalist Erik Fichtelius, Fichtelius 2007.

formed a close Alliance in order to win the election and regain government power. The alliance was headed by Fredrik Reinfeldt, the Party Leader for what was now labelled the new Moderates, and it was built on the premise that it is impossible to win consecutive elections in Sweden without addressing the problems of the welfare state in a constructive way. This meant that the ideological gap to the Social Democrats on matters of social policy had to be reduced. In a number of policy documents, the non-socialist parties declared that they no longer were against the welfare state as such. Rather they were concerned about its future financing, and its declining capability to deliver on its promises. To create cost-effective and flexible welfare services, they argued, it would not be enough to simply reform the public sector. The way forward went through market solutions, privatization and competition. Another benefit of this slightly disguised neoliberal turn, of course, would be the way in which it strengthened the position of the individual in relation to established state and municipal welfare bureaucracies.[44]

The new catch-word was freedom of choice, not as in the *Program for the 90s*, between public solutions and isolated small scale cooperative initiatives, but rather between the old public sector and the alternatives produced on a fully developed market of private providers.

Without doubt, the rapid privatization enacted by the alliance changed the structure of welfare services in Sweden. New actors successfully established themselves as producers of publically funded welfare services such as schools, child day-care, old age care, etc. Some firms were big and financed by venture capitalists that demanded low risks and high returns. Others were small and headed by former employees who were encouraged to buy off their old working places for low amounts from local authorities controlled by non-socialist majorities. Successfully managed for a couple of years, it then became possible to sell these enterprises with high profits. Soon, the question of private profits in the tax financed welfare sector became a crucial topic in the opposition against the Alliance government. One scandal after the other was revealed in the media; a recurring story was de-humanizing standards and mistreatment in elderly homes operated by big firms with remarkably high profits.[45]

However, for the Social Democrats the changing landscape of the welfare state meant new problems and a growing degree of political infighting. Was it reasonable that tax payers' money ended up in tax paradises such as Guernsey? It turned out that there were different opinions within the labour movement

44 Lundberg & Petersen (2006).

45 About the profits, se the SCB report *Finansiärer och utförare inom vård, skola och omsorg 2010*, 2012.

on profits in the welfare sector. The Party congress in 2009 was arguing, although a bit vaguely, against market solutions and open competition in the welfare sector, but it also emphasized the importance of securing the freedom of choice for the individual: 'It is the freedom for the individuals' to choose welfare services which shall increase, not the freedom for the providers to choose where the activities shall be situated and whom who will have access to what.'[46] The intra party debate on profits was not terminated by the decision on the Party Congress, and the debate has continued since then.

Especially the LO has embraced a critical view, arguing that only non-profit organisations should be allowed in the publically funded welfare sector. If this becomes the reigning principle, laid down as a law, it would definitely imply dramatic changes in the legacy created by the non-socialist alliance.

The LO is supported by many ordinary party members and by the chair of the Social Democratic Women's Association, Lena Sommestad.[47] But the new party leader, elected in the spring 2012, the former head of the Industrial workers Union, Stefan Löfven, does not seem to promote an unconditional ban on profits. Instead he advocates limitations on profits, stricter control, and more rigidly applied criteria's from the local communities as buyers of services. The Party Board has recently made a decision about 'National quality laws – for order and clarity in the welfare'. Turning a blind eye to rigid non-profit principle, this document is arguing for a more regulated market with reduced profitability, and for the importance of safeguarding diversity and the citizen's freedom of choice.[48]

The decision from the Party Board was subjected to heavy criticism from various corners of the labour movement. In an editorial, the Social Democratic daily, Folkbladet asked if the Social Democratic party in fact lost the next election, due in 2014, when the Party board unanimously supported the new guideline for the welfare sector. The editor was apparently dissatisfied with both the vagueness of the guidelines and the willingness to accept profits and added that the party board actually was not united behind the guideline.[49]

Conclusions

46 Partikongressens beslut 2009, 4.1. Högre kvalitet i välfärden.

47 SvD 20.6.2012, Article by the new LO chairperson Karl Petter Torvaldsson and the vice chair Tobias Baudin. The LO has appointed a special Welfare Committee to investigate the question, but it has not yet published its report. Blog by Lena Sommestad 27.5.2012, supporting the LO argument.

48 Socialdemokraterna: nationella kvalitetslagar – för ordning och reda i välfärden, 26.10.2012.

49 Folkbladet 29.10.2012.

Over the last few decades Scandinavian Social Democrats have made repeated attempts at reinventing themselves in face of new dilemmas and constraints. There is no shortage of prominent speeches, conceptual advances and political reasoning, but unlike the achievements of the past, these efforts have been largely ineffective and soon forgotten. Rather they are indicative of an extended policy crises stretching back to the late 1970s and early 1980s, which should be part of any attempt at explaining the current state of the once so victorious Social Democratic labour movement in Sweden.

This crisis is not unique for the Swedish or even the Scandinavian social democrats. Most Social Democratic parties in Europe have experienced declining election results since the 1950's.[50] But as stated in the introduction, Social Democracy was always uniquely well positioned in Scandinavia, which makes the decline in these countries especially conspicuous.

One way of understanding this reversal of circumstances is by pointing to the different kinds of dilemmas confronting the social democrats of today. On the one hand we have quandaries regarding the classical interplay between economic growth and social welfare, the idea of a society, or 'virtuous circle' to speak with Pauli Kettunen, in which the objectives of social equality and security and of economic efficiency, competitiveness and growth are cumulatively supporting each other.[51] The Scandinavian countries are still doing well by European standards, so in this sense the circle is still moving, but most economists, including those who are leaning to the left, indicate that the tax burden and the size of the government has since long reached its maximum. This constraint, acknowledged in the Swedish Program for the 90s, becomes an obvious obstacle to the Social Democrats, forcing them to divert their quest for renewal to the bundle of social services provided by the modern welfare state.

Part of the problem is that the history of social democracy is less glamorous in this dimension. It is in the service sector you find the policy scandals of the past, the paternalistic tendencies of local politics, the dictatorial municipal party bosses, the bureaucracies of the health care sector, the de-humanizing aspects of modern social engineering, as well as the underpaid and part-time working women of the public sector. Furthermore, the service sector is

50 Moschonas, Gerassimos (2011) 'Historical Decline or Change of Scale? The Electoral Dynamics of European Social Democratic Parties, 1950–2009'. In Cronin, James, Ross, George & Shoch, James (eds) *What's left of the Left? Democrats and Social Democrats in Challenging Times* London: Duke University Press.

51 Kettunen, Pauli (1997) 'The Society of Virtuous Circles'. In Kettunen, Pauli & Eskola, Hanna (eds) *Models, modernity and the Myrdals*, Univ., Helsinki.

nowadays fragmented into a number of crucial policy choices concerning its future organization: whether cash is preferable to care, whether individual choice is preferable to collective decisions, whether public services are more reliable than private providers, etc.

In dealing with these questions neither the Party's ideology nor its history offers any undisputable course of action. Instead policy development is to large extent influenced by the shifting ideals of policy experts as well as the norms and prejudices of civil society. And the situation is indeed especially severe in Sweden. Faced with a rapidly growing market for privatized welfare, Swedish Social Democrats have remained reluctant, seemingly unable to unite the Party around a guiding principle which offers a distinct alternative to the policies fashioned by the Alliance and the new Moderates. The situation is similar when it comes to environmental policy and climate change. Despite numerous attempts, the social democrats have been incapable of developing a credible and lasting policy.

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A MANAGER AND HIS PROFESSIONALS
Planning and constructing the modern firm in Finland, 1920s–1940s

SUSANNA FELLMAN

Introduction

One significant consequence of industrial development and the emergence of large-scale corporations was the professionalisation of management. In addition to the separation of ownership and management, the professionalisation of management meant increasing skill requirements, transforming career paths and adopting a new approach to the managerial task.[1] Professionalisation has also been seen as one of the prerequisites for the modernisation of management. Although 'modern management' is a somewhat vague term, it is evident that the professionalisation process led to a new attitude and to new approaches towards the managerial task, including, as Alfred D. Chandler pointed out, the systematisation of management. By the 1950s, Mable Newcomer had already observed a new 'professional attitude' among business executives in large US firms, including that managers had become more absorbed in their work and more committed to the company.

The professionalisation of management occurred in close connection with the general professionalisation of society, but there is agreement that managers could not be seen as forming a professional group, nor could one educational group monopolise the managerial task.[2] Moreover, the professionalisation of management did not mean that the owner/manager was 'unprofessional' or that the owner/manager disappeared. On the contrary, many owners were both well-educated and extremely competent in carrying out their tasks and family firms still exist today.

1 Chandler, Alfred D (1977) *The Visible Hand: the Managerial Revolution in American Business*. Cambridge MA: Belknap; Newcomer, Mabel (1955) 'The Professionalization of Management.' *Business History Review* Vol. 22, No. 1, 54–63.

2 For a further discussion, see Fellman, Susanna (2001) 'The Professionalisation of Management in Finland – The Case of the Manufacturing Sector, 1900–1975.' *Scandinavian Economic History Review* Vol. 49, No. 3, 5–27.

The professionalisation of management can be seen as an important part of the modernisation process and its effects extended to all aspects of management, i.e. to the production process, to sales and marketing and to financial management, as well as to how management related to workers and how the owner and managers saw their roles in the local community and in society at large.

The professionalisation process was also observed in a growing cadre of middle managers and experts – 'professionals' – at all levels of the company.[3] As a result of the growth in firm size and increasing technological and organisational complexity, owners and top managers had to delegate power and tasks and they became more dependent on the skills of specific professionals. One important expression of the new professional attitude, both among a new generation of more professional managers and among professional experts, was to create a modern, efficient and productive company. Professionalisation was thus a key factor behind the modernisation of companies.[4]

As new opportunities for competent professionals to advance up the corporate hierarchy emerged, the corporation also became a battleground for competition not only between competing individuals but also between competing professions, where various educational groups claimed they were the most competent to create a modern and efficient company. Although these contests for control were occasionally detrimental to the company, they also had positive consequences: by working hard to show their competence and by advancing their own interests, skilled experts at the same time developed the company.

The goal of the chapter

This chapter deals primarily with the role of, on one hand, top managers and, on the other, professionals and experts in the construction of the modern firm from the 1920s to the 1940s. I especially study the 'division of labour' between the manager and the professional experts in their daily routines and in particular the planning and carrying out of some modernisation projects. Thus, one aim of the article is to achieve a better understanding of the significance

3 Chandler 1977.

4 Fellman, Susanna (2007) 'Aesthetics in Modern Management' – The Professionalisation of Management and the Creation of the Modern, Efficient Firm in Finland, 1920s–1940s.' In Kervanto Nevanlinna, Anja (ed) *Industry and Modernism – Companies, Architecture and Identities During the High-Industrial Period*. Helsinki: SKS.

of various professionals on firm development by investigating these groups and their roles in various projects.

Moreover, I address the problem facing the owner-manager of how to maintain power and control while he became increasingly dependent on the professional employees and as there was an increasing need for delegation. During this period, the employee–employer relation between top professionals and owners also started to change.[5]

This is carried out empirically by investigating the tasks and duties of these groups of employees in three construction projects in one Finnish paper industry firm, G.A. Serlachius Ab (GAS), in the inter-war period when one of its legendary managers, Gösta Serlachius, managed the company. I focus on the construction projects within the growing company and especially study the divergent roles and tasks of the various professional employees and manager and how the work was carried out in practice. The guiding question is what these employees actually did and how did they influenced the development of the company. In spite of their crucial role in corporate development, these employees have formed an almost invisible personnel group in historical research.[6] One reason for this is that they were for long a fairly small employee group and as a result considered to be of marginal interest. Moreover, they have commonly been seen as part of 'management', which in research has often been personified by the entrepreneur or top manager. The significance of the (other) professionals in strategic, technological and organisational planning and in the development of the company has been overlooked.

This chapter is based on a study of only one company and manager, which obviously makes it limited in scope. It is evident that the impact and significance of the owners and professionals varied from case to case. Some managers took a very active role in all aspects of running the company, while others delegated the questions of technical solutions and organisational issues to the professionals and experts, instead concentrating on one specific aspect of management or on other issues e.g. taking care of external contacts.

5 See Fellman Susanna (2010) 'Enforcing and Re-Enforcing Trust – Employers and Upper-White-Collar Employees in Finnish Manufacturing Companies, 1920s–1980s.' *Business History* Vol. 52 No 5, 779–911.

6 There are, of course some notable exceptions, like the work by Jürgen Kocka (*White Collar Workers in America, 1890–1940. A Social-Political history in international perspective*. New York: Sage, 1980) and Toni Pierenkemper ('Pre-1900 Industrial White Collar Employees at the Krupp Steel Casting Works: A New Occupational Category in Germany.' *Business History Review*, Vol. 58, No 3 (autumn 1984), 384–408.)

GAS and Gösta Serlachius

GAS was founded in 1868 when Gustaf Adolf Serlachius built a mechanical wood pulp mill in Mänttä, a small community about 90 kilometres from Tampere. In 1880, the first paper machine was installed. During the era of Gustaf Adolf Serlachius, which ended with his death in 1901, the firm remained small and was on several occasions on the verge of bankruptcy. Rapid expansion started when Gösta Serlachius, who was both nephew and son-in-law of Gustaf Adolf, took over management in 1913. Production capacity was increased by enlarging existing mills and by investing in new machines, but also through the acquisition of other paper mills. During the years 1915–1918, Gösta Serlachius acquired several paper mills, the most important being *Kangas Pappersbruks Ab* and *Tammerfors Takfiltsfabrik Aktiebolag (Oy Tako Ab*) as well as the *Kolho* sawmill. New brands of paper, for example greaseproof and tissue paper, were introduced. Both were brands for which GAS later became well known. During his period, GAS grew into one of the 30 largest industrial companies in Finland.[7]

Gösta Serlachius (1876–1942) was not only an able manager, he was also engaged in numerous activities outside GAS. He played a key role in the foundation of large Finnish forest industry export cartels and was active in the Confederation of Employers (*Suomen Työnantajien Keskusliitto* STK). He also had close relations with the highest political elite, which gave him important assignments within the newly independent state first during the Civil War (1918) and later in the development of Finnish trade relations with other countries. Gösta Serlachius had a great interest in fine art and succeeded in building up a sizeable art collection. He was also interested in architecture and took an active interest in all construction projects in the firm, from both a technical and an architectural point of view. In addition to a genuine interest in fine art, his interest in beautifying the community played a significant part in the creation of an image of a benevolent and good employer in the local mill community and in society at large.

Serlachius was in many respects a 'typical' manager of the time: he was the main owner and he had studied both at home and abroad, but he had never completed a formal professional education. In Finland during this period, most owners and top managers were still actively engaged in running the company – this was an era of 'personal capitalism' in the words of Alfred D.

7 Fellman Susanna (2005) 'Hur leds ett skogsföretag? – G.A. Serlachius Ab på 1920- och 30-talet.' *Historisk Tidskrift för Finland* Vol. 90 No 2, 241–269.; for a recent biography of Gösta Serlachius, see Silvennoinen, Oula (2012) Paperisydän. Gösta Serlachiuksen elämä. Helsinki: Siltala.

Chandler. On the shopfloor, Serlachius maintained a paternalistic attitude towards his workers and took an active part in daily management. However, he can also be seen as a very modern manager of his generation, with an unusually 'professional' approach. He compensated for his lack of formal education with an active and studious mind and he was interested in both commercial and technical questions. He understood the importance of employing the best available expertise. He travelled abroad frequently and followed professional journals in order to absorb new ideas, which he actively presented to his engineers and other professional employees. He was one of the earliest Finnish managers to visit the US and, in addition to the technological and organisational novelties he observed there, he was inspired by Taylorism and the 'Safety First' movement.[8] Moreover, he took an active interest in the social welfarism applied in both American and European companies.[9]

One of the key notions about Serlachius' ability as a manager was his talent to recognise and employ skilled and competent professionals.[10] Owing to the rapid expansion of the company, but also to his extensive engagements outside the firm, he was forced to trust his subordinates and delegate responsibilities and tasks. Nevertheless, he also wanted to retain power over the companies from a distance. This was not an easy balancing act. Moreover, he had a difficult temperament and tended to run into conflicts with people. Some of these conflicts led to lifelong break-ups. Interestingly, however, some of the key employees in GAS stayed long in the company, in spite of repeated conflicts.

The inter-war period: Industrial progress and modernisation

The period of investigation is from the 1920s to the late 1940s. The inter-war period was a period of rapid industrial progress in Finland; 'a breakthrough phase'[11], but also one of pronounced modernisation ideologies and nation building. Although the Finnish industrialisation process was still in its prime,

8 Kettunen, Pauli (1994) *Suojelu, suoritus, subjekti. Työsuojelu teollistuvan Suomen yhteiskunnallisissa ajattelu- ja toimintatavoissa*. Historiallisia Tutkimuksia 189. Helsinki: Suomen Historiallinen Seura.

9 Fellman Susanna (2012) 'French influences in a Finnish company in an era of industrial break-through and modernisation: Société Michelin's welfare program and G.A. Serlachius AB in the 1920s and 30s.' In Godelier, E., M. Le Roux, E. Briot, G. Garel, A. (eds.) *Managerial Thoughts and Practice in France 19th to 21st Centuries. Assesment and Future Prospects*. Online at <http://mtpf.mlab-innovation.net/en/>.

10 Fellman 2005.

11 Krantz, Olle (2001) 'Industrialisation in Denmark, Finland, and Sweden. A Comparative View.' In Kryger Larsen, H. (ed.) *Economic Convergence? Industrialisation in Denmark, Finland and Sweden. Commentationes Scientarum Socialum*. Helsingfors: Finnish Society of Science and Letters.

the idea of the large-scale production unit, mechanisation and mass production as the road to economic development and modernisation took root. Obviously, such modernisation ideologies were part of an international phenomenon (see below), but became perhaps particularly prominent in the newly independent country. As Finnish state formation, political and social modernisation and industrial breakthrough occurred more or less simultaneously, modernisation and economic progress became in some respects considered to be identical to nation building. This feature persisted throughout the 20th century and strongly influenced economic and political thinking in the post-war period.

This period has also been considered to be the period when professional society emerged, having been made possible after the introduction of unicameral parliament and universal suffrage in 1906: recruitment based on merit and qualification, instead of by birth, gained ground. At the same time, professional education developed, while professional interest formulation among certain educational groups, most notably engineers, became pronounced.[12] These processes were also reflected in top management, where a first 'professionalisation wave', marked by a rapid increase both in the number of salaried managers in top management and in the educational level of top managers, occurred in the 1920s.[13]

This period of rapid industrial transformation was reflected in manufacturing companies in their swift growth in size, in increasing productivity and in the introduction of new technology. For instance, GAS grew fast both by expanding production in existing mills and through mergers and acquisitions. The period was also a turning point for the old, patriarchal, owner-led firm. Family firms – in the sense that the majority of the shares were controlled by the family and that top management consisted of family members – still continued to dominate, but rapid industrialisation and growth in company size inevitably brought with it changes both in ownership and in management. New skills were required, while owner/managers received to a growing extent a professional education. Even though the paternalist model of management persisted, Taylorism and rationalisation ideologies changed managerial practices on the shopfloor. Thus, modernisation and professionalisation went hand-in-hand.

12 See Karl-Erik Michelsen (*Viides sääty. Insinöörit suomalaisessa yhteiskunnassa*. Helsinki: Suomen Historiallinen Seura & Tekniikan Akateemisten Liitto 1999) for the engineering profession and modernisation in the early 20th century.

13 Fellman, Susanna (2000) *Uppkomsten av en direktörsprofession – Industriledarnas utbildning och karriär i Finland 1900–1975. Bidrag till kännedom av Finlands natur och folk nr. 155*. Helsingfors: Finska Vetenskaps–Societeten.

Planning the modern firm: A professional battlefield in the inter-war period

As mentioned earlier, professionals' impact in the development of companies has tended to be somewhat neglected in historical writing, although increasing technological and organisational complexities called for new skills. Many company managers were also well aware of the need for professional expertise and a scientific and rational approach in order to modernise firms. As part of professional motivations, professionals began to claim they were the most competent for this task.

The concepts 'modern', 'modernism' and 'modernity' are somewhat difficult: what is seen as 'modern 'is something that changes over time and the forms and expressions of both 'modernism' and 'modernity' in a company varied between countries according to local economic, institutional and cultural circumstances.[14] Nevertheless, the ideology or style of 'modernism' is often dated to the first decades of the 20th century, i.e. the period during which the idea of the 'modern company and 'modern management' also emerged. The concept of the 'modern company' is also connected to modernistic ideals: the new, the rational and the efficient.

According to the Danish historian Ole Markussen, modernism at the company level was characterised by rapid technological development, by a strong belief in scientific approaches to both technical and organisational problems and by the introduction of rationalisation, standardisation and mass production. New labour relations and the more systematic selection and recruitment of workers also evolved.[15] Lindy Biggs stressed that on the factory floor, modernity meant primarily the introduction of rationalisation ideologies and the methods propagated by Taylor and Ford. The interest in factory planning grew and so-called model factories were constructed.[16] Moreover, the ideology of the modern firm also included a striving for improved working conditions, with a safe and hygienic work environment, and where good lighting, fresh air and a tolerable temperature was seen as particularly important.[17] In addition to a product of genuine concern for the company's

14 For various expressions of modernity at the company level in a comparative perspective, see Kervanto Nevanlinna (ed.) 2007, esp. the article by Anders Houltz.

15 Markussen, Ole (1988) 'Danish Industry, 1920–1939: Technology, Rationalisation and Modernization.' *Scandinavian Journal of History* Vol. 13, No. 2–3, 233–293.

16 Biggs, Lindy (1996) *The Rational Factory: Architecture, Technology and Work in America in the Era of Mass Production*. Studies in Industry and Society 11. John Hopkins University Press, 2.

17 Biggs 1996, 75.

workers, welfarism and good working conditions it also created a positive image of the employer. Efficient, well-planned and attractive factories had a civilising and uplifting influence in the community and eradicated labour problems.[18]

Production was to be efficient, but the significance of clarity and simplicity in solutions was also stressed. The latter goals were obviously in accordance with the efficiency requirement, but clarity and simplicity were valuable in themselves. The idea of the efficient, rational company had not only an instrumental economic value, but also an intrinsic – even 'aesthetic' – value: as a rational and efficient solution was good for the company and for progress in general, it was also beautiful.[19] To achieve these goals, there was a need for planning at all levels, both at the company level and in society at large, for the application of scientific methods and for increasing professionalism**.** New professionals – in particular engineers and architects, but also other emerging professionals such as psychologists and health experts – were the 'carriers' of these ideas and ideologies, while also the business owners and company managers saw themselves as contributors to modern society.

In the first decades of the 20th century in Finland, engineers and architects began to show an interest in the construction of the new and rational factory. As the manufacturing industry grew in importance, architects realised the potential of planning industrial plants, a task previously often sneered at, and the increasingly positive image of the new model factories made factory construction work a respectable field.[20] In the new 'machine age', the factories became carriers of progress and prosperity.

This led occasionally to tensions between the professions. Architects considered themselves to be experts on the totality of the plant, while engineers, by contrast, proclaimed their skill in planning factory buildings and areas as a consequence of their knowledge of technology, the production process and the product. The argument about who was best qualified to plan the modern factory actually became a tool in their professional rivalry. The Swedish historian Lisa Brunnström spoke of a heated debate in Sweden about the role of the engineer and the architect in the construction of industrial plants. However, there was in general a shared interest in constructing modern, rational factories.[21]

18 Loader, Robert & Skinner, Joan (1991) 'Management, Construction and the Architecture: The Development of the Model Factory.' *Construction History* Vol. 7, No 2, 83–103.

19 On this, see Fellman 2007.

20 Loader & Skinner 1991; Brunnström, Lisa (1990) *Den rationella fabriken. Om funktionalismens rötter*. Dokuma.

21 Brunnström 1990, 203.

Such professional tensions were also observed in Finland. The struggle between engineers and architects to claim industrial planning as their professional territory was particularly heated in Finland in the 1920s, perhaps due to the rapid modernisation of Finnish society. Engineers' ambitions extended to managing industrial companies and taking a leading role in modern industrial society generally. As the owner of *Pargas Kalkbruk Ab*, Emil Sarlin, who was also an engineer, stated in a famous article about the manufacturing sector that engineers were actually needed at every level and for every task in the industrial company.[22] He was accompanied by a professional colleague A. E. Norrmén, who stated that their role in industry was not only as technical experts, but also as organisers, planners and leaders.[23]

By contrast, representatives of architects argued that they were most capable of taking charge of planning factories and industrial estates. For example, Carolus Lindberg objected to entrusting engineers with the design of factory buildings. Engineers were good at planning the production process, but architects were needed in order to achieve a factory building that combined both aesthetic values and functionality into 'one concept'.[24] To this, engineers answered by claiming that they were also able to consider, for example, the selection of the right environment, the general outline of the building and the planning of light, heating and ventilation. Engineers would be particularly proficient in this due to their knowledge of the production process and the flow of resources.[25]

These debates and tensions were occasionally also visible in individual companies. For example, Gösta Serlachius greatly valued some architects and their vision and work, and thus he established long-lasting relations with some 'house architects'. However, often much of the planning was given to his 'own' engineers, which annoyed the architects. The engineers employed in the company were consigned tasks which the architects considered their domain, for example, the planning of the breadth and width of the factory buildings or the calculating of the space between pillars depending on the products to be stored, the size of the planned machinery or the 'flow' of the whole production

22 Sarlin, Emil, 'Teknikern och industrin'. Särtryck ur *Tekniska Föreningens i Finland Förhandlingar* 1926.

23 Norrmén, A.E., 'Ingeniörskåren och dess betydelse för samhället'. *Tekniska Föreningens i Finland Förhandlingar* no 1, 1922.

24 Lindberg, Carolus, 'Sananen arkkitehtuurista'. *Teknillinen Aikakuskirja* 1920.

25 Mäkinen, E., 'Teollisuuslaitoksen suunnittelussa huomioitavia näkökohtia'. *Teknillinen Aikakauskirja* no. 2 1938.

process.[26] Occasionally, Serlachius himself interfered in the architects' plans of new buildings, which was not always well received.

A construction engineer Louis Nyrop, who worked as an independent consultant that specialised in planning and building industrial sites and who was often engaged in planning construction projects in GAS, reflected on several occasions in his correspondence with Gösta Serlachius on the task of the construction engineer in building the most practical and efficient factories. Nyrop felt that his expertise was not fully appreciated by most factory owners and he complained that he was having difficulty in getting new commissions, as owners of industrial plants 'only contacted him when they needed some specific calculations made, while they claimed they managed to do the general planning work by themselves'.[27] Similar complaints were often put forward by the architects: they were only called in to give some details or ornaments.

According to Nyrop, this was shortsighted, as these 'amateurs' could not grasp the totality as he could. On the other hand, Nyrop did not always give full credit to the architects. While the architects complained they were only asked to come and give the final details, Nyrop did not consider the question of façades or aesthetic issues a problem in the planning of new factories, as, according to him, it 'is always possible to arrange the façade in a satisfactory way, independent of the width of the building'.[28]

Both engineers and architects sought, however, to contribute to the development of the 'modern firm', although the focus differed in some respects. For modernists, the aesthetic, the efficient and the functional went hand-in-hand. Or as Nyrop concluded on one occasion: 'In factory buildings, the correct outline and design is generally also the most architectonically beautiful'.[29]

The manager and his professionals in three modernisation projects

As stressed earlier, modern management penetrated all aspects of the managerial function, but here I focus on how this process affected the division of labour between the top manager and key professionals and their interrelations through the lens of three concrete construction projects of particular importance for

26 Protokoll vid möte på huvudkontoret i Mänttä. B. Vitzthums arkiv. Privat, pappersbruket. 4499 GAS archive, ELKA.

27 Nyrop till Gösta Serlachius 19 juli 1933. Gösta Serlachius korrespondens. GS Art museum.

28 'PM angående utvidgning och ombyggnad av pappersbruket 1.mars 1938, av L. Nyrop.' GAS archive, ELKA.

29 'Brev från Nyrop till Gösta Serlachius, 2 mars 1932.' Gösta Serlachius' korrespondens. GS Art museum.

the modernisation of GAS. These were: 1) an extension to the Mänttä paper mill, which started in the late 1930s and continued throughout the 1940s, 2) the modernisation of Kangas between 1934 and 1937 and 3) the construction of a new head office in Mänttä, which also was called the 'White House' (it even had an oval hall), which is today a museum of the history of GAS.

Reorganisation and new investment were ongoing processes in a firm of the size of GAS. Many projects, ranging from small adjustments to existing machinery to building completely new factory buildings, occurred simultaneously. Planning work could go on for years and projects often changed shape over the course of this process. Several memoranda, plans and drafts were often drawn up before the final solutions were discovered. Thus it is occasionally difficult to say when a project started and when it ended. On the other hand, by looking at this process, the crucial role of the key experts in the projects becomes visible.

It is, however, evident from the sources that Gösta Serlachius was the driving force behind every project and that he initiated and controlled all details. He was, after all, the owner of the company and involved in managing it on a daily basis. However, he also had an active and industrious mind and was always looking out for novelties and improvements. Both Gösta and his son R. Erik Serlachius sent notes about interesting articles and magazines to the company's employees and suggestions for models to copy or to be inspired by. The construction of the head office was a project of great symbolic value for the company, and, thus, both Serlachius himself and the chief engineer in GAS, Warner Silfversparre were very active in planning the new building.[30] An open architect competition was announced in 1929, but the requirement was that the visions of Serlachius and Silfversparre were to be integrated into the plans suggested by architects.[31]

Although Serlachius initiated the goals and main points of the project and often wrote the first memorandum himself, the concrete drafting and planning work was conducted by the professionals. After the initial orientations and discussions, Serlachius commissioned some of his employees to carry out a feasibility study of the project at hand.[32] In the Kangas modernization, for example, the role of the chief engineer Oskar Burgman was very strong in the

30 'Johtokunnan pöytäkirja 5.9.1924.' Kangas. GAS archive, ELKA.

31 'Nytt huvudkontor. Af W. Silfversparre 13.11.1929 1ª utkast.' Kotelo 8 Pääkonttori. GAS Museum; 'Kontrakt.' GAS Hallinto. Kotelo 8. Pääkonttori. GAS Archive. GAS Museum.

32 'P. M. betr. Koncernens byggnadsverksamhet 1938. 'B. Vitzthum, diverse 4500. GAS archive, ELKA.

concrete planning process.[33] The so called engineering meetings kept at regular intervals at the head office in Mänttä also seem to have been important in all the renewal projects. As the number of engineers were still low, these was an important meeting place for developing the company.

Moreover, outside experts were often engaged at some stage in the process. For example, some of the planning of the extensions and reorganisations of Mänttä and Kangas was entrusted to Louis Nyrop, who drew up general plans and presented alternative solutions. Interstingly, Nyrop commonly aimed for larger extensions than the engineers had. According to him, provisional solutions or too small buildings would perhaps save money first, but they would ultimately be uneconomical. Instead, Nyrop underlined the importance of anticipating future extensions and new investments. He emphasised the importance of being far-sighted, but it also seems that he often wanted 'grander' solutions than the engineers in the company did. Nevertheless, as an independent professional expert, he had only to consider the best solutions and not think about the costs.

Keeping control in the growing company

However, although the professionals were key persons in developing and modernising the company, Serlachius intended to keep himself informed at every stage of the process. He expected the engineers and technicians to report to him on a regular basis about progress in the various projects. When the company grew and he was to an increasing extent away from the company due to his other engagements and weakening health, the need to delegate responsibilities became urgent. He was, thus, confronted with the dilemma on how to delegate tasks without losing power and control.

One solution was centralisation. During this era, most manufacturing companies applied an organisational model that Per Schybergson called the 'historical-geographical model'.[34] In simple terms, the firm consisted of one head office and separate independent local mills. The head office was often situated in the main mill community, but sometimes in Helsinki or another large city. Firms were strictly functionally organised and production in the local mill was diversified into several unrelated branches. The model was primarily

33 'Beträffande Kangas modernisering 26 okt. 1934.' Ing. Burgman Allmänna 1926–37. 4715GAS archive, ELKA.

34 Schybergson, Per (1988) 'Tätort kring ett företag.' *Historisk Tidskrift för Finland* Vol. 73 No 1, 40–57.

a result of the Finnish industrialisation pattern based on geographically remote mill communities, which had to be self-sufficient in a period of inadequate communication possibilities. GAS was indeed organised along the lines of this 'historical-geographical model' at this time. Individual plants were geographically scattered and the Kangas, Kolho and Tako plants acquired in the 1910s were merged to the mother company only in the 1930s.

The fact that the plants were not officially merged with the mother company until the 1930s was, however, only a formality and in reality the local plants were not independently run. Plant managers could take care of the daily duties and had a certain position in the local mill community, but the power in GAS was firmly kept in Mänttä and with Serlachius himself. The mills had their own boards of directors, but these boards consisted of members of the Serlachius family and loyal employees from the Mänttä mill. The plant managers and professionals in the various mills reported on a weekly, sometimes even daily, basis to Gösta and R. Erik and they travelled regularly to the head office for meetings and consultations. Cooperation between the plants was extensive and it was, for instance, common that orders were switched between the separate plants.[35]

Another way of centralising power to Mänttä was by creating an efficient network of close and loyal personnel in certain key positions. This was achieved by an ingenious system of the circulation of personnel between individual plants. By circulating key personnel between the plants, they became closely tied to each other and to the mother company. Cooperation in engineering and board meetings became efficient and the key persons knew most of the plants well. Moreover, this ongoing circulation made sure that no plant manager could become too independent with respect to the central office and Serlachius himself.[36]

Another key issue to keep control in his hands was to secure a continuous flow of information between the individual plants and the head office. Serlachius received weekly reports with figures about sales and production from the plants, he was informed about all correspondence that had arrived and some letters were forwarded to him. Whenever he was not informed about everything, the employees were immediately reprimanded. For example, he stressed in a circular letter to all white-collar employees and managers in 1935 that he was to know everything. No issue was too insignificant to be brought to him. Moreover, it was not the task of the individual employee to

35 Fellman 2005.

36 *Ibid*.

decide whether an issue was to be brought forward to him or not.[37] The lesson was apparently learned: later the same year, the plant manager and technical leader in Kangas sent a letter to Serlachius with detailed reports about the sales figures and incoming orders. The letter begun with a notion that

> *[w]e take for granted that Bergsrådet [i.e. Gösta Serlachius] also during this stay abroad wishes to receive the customary weekly reports from Kangas, although we have not received any formal request to do so.*[38]

It is an often repeated notion about Serlachius that he had a difficult personality and that he could be both ruthless and hard, which often drove him to conflicts with people around him. In companies that he directly or indirectly received control of, he as a rule drifted very quickly into open conflicts with the local management. Thus, the local management was regularly replaced shortly after a takeover.[39]

In his own company, however, he was apparently more able to cooperate and succeeded in building long-lasting working relationship with his key employees. Many of them, such as Vitzthum, Silfversparre and Gunnar Stadius, stayed at GAS for their entire careers. For example Silfversparre had a particularly strong position as both expert and a confidant of Gösta Serlachius. As mentioned earlier, one of Serlachius' qualities as a manager seems to have been his ability to recruit able professionals and there is ample evidence that he was meticulous in his recruitment. He employed personnel he or some of his close relatives knew well. Vitzthum was a friend of R. Erik, while Rafael Jaatinen, plant manager in Mänttä during 1920–1929, had been a young correspondent clerk in *Kymmene Aktiebolag* when Gösta Serlachius managed the company for a few years in early 1910s. Nyrop, who Serlachius regularly commissioned for construction works, was a former employee in Mänttä. Serlachius was also continuously on the lookout for potential candidates and, if he did not know the candidates personally, he kept himself informed about them and asked his colleagues about their skills and reputations.[40]

His relationship with these key employees was, however, also occasionally complicated. As he wanted to keep all decisions in his own hand and required

37 'Brev till disponenter och avdelningsföreståndare den 7 jan. 1935.' Tiedotuksia Isännöitsijälle 1929 30. Huolto-osasto. 5181. GAS archive ELKA.

38 'Brev från Kangas pappersbruks disponent till G. Serlachius 19 augusti 1935.' Korrespondens Kangas KA22 1935. GAS archive ELKA.

39 See, for instance, Silvennoinen 2012, 444–447.

40 See Fellman 2010, 202 footnote 86.

information about every small detail, conflicts could not be avoided. He tolerated little – or no – opposition. Clashes between him and certain professionals, thus, occasionally occurred, especially with Nyrop and Silfversparre.[41] For example, there was extended and harsh correspondence concerning some turbines that Silfversparre had ordered without Serlachius' formal consent.[42] His cooperation with the architects was also occasionally strained. But it was apparently not only Serlachius that was difficult: Silfversparre actually answered to Serlachius' allegations in a not altogether polite tone.

> *I tried for several days to get in touch with my superiors, but in vain. And I did not even think about asking for the opinion of the employees in Kangas, especially as I had got the impression that I had received Bergsrådets' [i.e. Gösta Serlachius] consent to the order. Moreover, the Kangas 'crew' lacks the ability to give positive support in this issue.*[43]

Silfversparre also emphasised that it was his duty as a professional employee to carry out this task, as it was urgent to complete the project. As a professional, he felt he had a loyalty to do the best he could, and not only take orders from his employers.

In spite of these controversies, no final break between Serlachius and these trusted employees came about. Being close confidants, as well as skilled and innovative, Silfversparre and Nyrop were probably among the few who could take certain liberties without facing more serious consequences than a sharp reprimand from Serlachius – or in the case of Nyrop difficulties in receiving payment for his work. In spite of protracted disputes, Nyrop and many of the trusted architects kept receiving new commissions in GAS.

Discussion

Even though Gösta Serlachius was both interested in and actively took part in all aspects of the planning and building processes, and even though he was in many ways a skilled and knowledgeable manager, both the competencies and the input of these professional experts were crucial in planning new lines

41 Intense correspondence between Nyrop and Serlachius concerning these matters took place in the early 1930s.

42 'Meddelande till Ingeniör Silfversparre. Gösta Serlachius korr. 1937. Werner Silfversparre' Si 48.

43 Turbin-konkurrens/Kangas 1937. Brev Silfversparre – Serlachius 7 August 1937.

of production and new buildings, introducing technical and organisational innovations and carrying out and completing projects.

Moreover, the creation of a good 'team' was also crucial in the rapidly expanding company, particularly as Serlachius himself was tied up – sometimes for months – in extensive engagements outside the firm, and it seems that he was good at creating such teams of experts. He was, as mentioned, always on the lookout for good employees and recruited personnel of high competence, while his system of tying the individual mills close to the mother company and circulating personnel between them supported building such teams.

Many engineers in the company also worked for him for long. Long-term employment was common among white-collar employees and skilled professionals during this time period, but it seems that the key employees in Serlachius' company stayed at GAS for particularly long periods, many of them for their entire careers. Actually, the idea of lifelong employment among highly skilled professionals and top white-collar employees during this time period can be considered something of a myth. Skilled engineers, lawyers and business graduates, who intended to pursue a career in business, moved – or had to move – between companies in order to reach top positions later in their careers.[44] Thus, the loyalty of Silfversparre, for instance, seems to be remarkable.

In principle, Serlachius demanded complete loyalty from his employees. He kept control and power firmly in his own hands and was by no means an easy employer, but instead both dominant and despotic. However, he also had another side. He was probably both an inspiring and an encouraging employer when he was pleased with his subordinates, and although he was demanding, he seems to have trusted his subordinates' capabilities. Moreover, his tireless efforts to modernise and expand the company and introduce new products required a lot of planning and research. Thus, it was perhaps also professionally rewarding to work for him, which could partly explain the long employment contracts among some key employees.

From this exercise it becomes evident that these projects were important for skill formation in the company. The planning and realisation of them required extensive reading, massive calculations, drafts and redrafts as well as long study trips abroad and the engaging of consultants and other outside experts. For example, the power questions required of Silfversparre continuous examinations of professional magazines, calculations and discussions with professional experts in other companies and with consultants, while the

44 Fellman 2000, 173–176.

expansion of tissue paper production in Mänttä required several study trips by the engineers and R. Erik Serlachius. Thus, expanding the study of these types of processes can enable a deeper understanding of skill formation at the company level. This is, however, a task for the future.

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PRIVATE ENTREPRENEURSHIP AND THE STATE
Discursive power struggles during the regulated economy 1939–1949

KARI TERÄS

The environment of economical activity changed rapidly and dramatically in Finland after the Second World War broke out. The war affected the whole of society and the economical role of the state grew to new proportions during the war time. At the beginning of September, 1939, the construction of a state-led regulated economy began in Finland with great haste. It was supposed to secure the supply of necessities to the civilian population and secure the maintenance for the quickly growing army. In Finland, economic control was not proactive and based on overall planning; rather it was reactive, and matters were dealt with out of compulsion, at the last minute and often randomly. However, the state started to practise a more planned economic and financial policy than before and started to create the institutional structures for it.

A quick transition to a state-led economy meant a radical state of insecurity in the sectors of the economy. The predictability of business was lower, and from the point of view of private enterprise, there was uncertainty under the continuously strengthening pressure of the state, even though in Finland the aim was to regulate the economy in co-operation with the organisations which represented the business sector. The representatives of the private business sector started to actively defend their own position in public and to define their attitude towards the state-led economy: it was a discursive power struggle about the nature of the war economy and the regulated economy and the ways it was actualised.

This article does not study how the regulated economy functioned in practice and to what extent the government interfered in the economic operating structures. Instead, it studies, first and foremost, the kind of meanings that the representatives of the business sector gave to private enterprise, to the mechanisms of the free-enterprise economy and to the economic control of the state in Finland in the years 1939–1949.[1] The use of language connected to

1 This article is partly based on my earlier article 'Kilpailu, yhteistyö ja luottamus elinkeinoelämän puhunnassa säännöstelytalouden aikana 1939–1949' (Teräs 2008).

the economy is observed as a social activity and at the centre of the research lies the modes of speaking, discourses, with which the private business sector aimed to construct the economy of the exceptional times into a desirable form and define their relationship to the quickly changing economic institutions. At the same time, attention is given to how the representations of private enterprise changed in the exceptional circumstances during and after the war. The basis of the article is that discourses are means to use power, are organised on social grounds and have social power.[2]

The research material of this article consists of the volumes of the newspapers and magazines *Kauppalehti*, *Talouselämä*, *Yksityisyrittäjä* and *Talous ja Koti* from the time period of 1939–1949 when the Ministry of National Supply was still functioning and when the regulated economy of Finland can be dealt with as a system; the regulations continued even after this in several sectors of the economy. The two first mentioned were leading organs of business life and the latter two mentioned reflected especially the views and values of small business entrepreneurs and private merchants. Although the newspapers and magazines had their own target audiences and missions in the publicity of the business sector, as a whole they can be seen to have vastly represented the sentiment of private enterprise in terms of how it wanted to be portrayed publically.

Entrepreneurship discourse

Since 1931, the Week of Private Enterprise was celebrated annually in Finland, during which the general public received information about entrepreneurship in general, and several different functions related to private entrepreneurship especially. The week received wide-ranging publicity, especially in the right-wing press where the themes of private entrepreneurship were frequently discussed. In the beginning, the Week of Private Enterprise was organised by *Taloudellinen Valistuskeskus* (Economic Education Centre) which was founded by merchant organisations in 1929, and starting from the year 1934 the week was organised by *Yksityisyrittäjien Liitto* (Private Entrepreneurs'

2 See Fairclough, Norman (1992) ***Discourse and Social Change***. Cambridge: Polity Press, 3–5, 62–66; Fairclough, Norman (2003) ***Analyzing Discourse. Textual analysis for social research***. London: Routledge, 3–4, 123–133; Jokinen, Arja, Juhila, Kirsi & Suoninen, Eero (2004) 'Diskursiivinen maailma. Teoreettiset lähtökohdat ja analyyttiset käsitteet'. In Jokinen, Arja, Juhila, Kirsi & Suoninen, Eero (eds) ***Diskurssianalyysin aakkoset***. Third Edition. Tampere: Vastapaino, 24–29; Johnstone, Barbara (2008) ***Discourse Analysis***. Second Edition. Oxford: Blackwell Publishing, 2–5; Pietikäinen, Sari & Mäntynen, Anne (2009) ***Kurssi kohti diskurssia***. Tampere: Vastapaino, 52–63.

Union) which represented primarily private shops in different lines of business. The way the private entrepreneurs wanted to present their significance to the society was condensed to the motto of the week:[3]

1931: Private enterprise – the basis of the country's economy.
1932–1934: Private enterprise – the road to a brighter future
1935–1939: With own action – with own power – towards a brighter future
1940: Powerful individuals build this country
1941: Private enterprise has been and is the strength of this country
1942–1943: Private enterprise is the strength of this country
1944: Now if ever we must be enterprising
1945: Entrepreneur takes the society forward
1946: Enterprising individual – enterprising nation – reviving country
1947: Free entrepreneur, free nation
1948: Healthy economy – secured future
1949: Private enterprise is the fly wheel of all development

First and foremost the mottoes portrayed continuity: the basic message was always the same. The central matter was to present entrepreneurship as a supportive pillar of the whole society and as something that ensures the bright future of the country and is the source of its inexhaustible strength. In the mottoes, private entrepreneurship was strongly connected to individuality, freedom and the destinies of the whole nation; the seeking of personal gain connected to entrepreneurship was left to the background in them. One purpose of entrepreneurship propaganda was to clear the quite bad reputation private enterprise had among the general public. The reputation had taken big blows especially during the First World War when some of the entrepreneurs had succumbed to speculation and concentrated on war-time profiteering.

The entrepreneurship discourse which defended the private business sector on a general level was built upon three basic starting points. Firstly – as the mottoes show – the core idea of it was to demonstrate that the market economy is a universal system and that private enterprise is its foundation. According to the president of the Private Entrepreneurs' Union, the councillor of commerce Walter Rydman, private enterprise has always been 'the impelling force of the business sector and even life itself' with which the Finnish nation has been able to move forward and overcome difficulties. Private enterprise was portrayed metaphorically as the engine of the economy, as its most important

3 Terho, Viljo E. (1983) *Yrittäjän työ on näyttänyt arvonsa*. SYKL 50. Suomen Yrittäjäin Keskusliitto ry 1933–1983. Helsinki: Suomen Yrittäjäin Keskusliitto ry, 132.

impelling force: 'the spirit of entrepreneurship is the same to commercial life as electric power and steam power are to industry'.[4] According to the discourse, without private enterprise, economic development would sooner or later stop. Therefore it should be protected under all circumstances. The general positive significance of entrepreneurship was set above all scepticism and discussion; i.e. it was presented as being a self-evident matter.[5]

Secondly, private entrepreneurship was portrayed as an inseparable part of human nature. In fact, the spirit of entrepreneurship was defined as 'an impelling force of the human spirit' which in itself encouraged people to create new things and to have higher aspirations. Moreover, entrepreneurship was presented as being normal human behaviour , even as instinctive activity based on 'nature's unyielding laws'.[6] The competition related to entrepreneurship was customarily presented as a trait of the individual and at the same time as the guarantee of individualism. All aspirations to detach the 'urge to compete' and the 'spirit of entrepreneurship' from the human nature were doomed, even though the state-run economic systems pursued to repress competition 'by their nature'. The central rhetorical method of the entrepreneurship discourse was to 'humanise' economic activity, which was shown, in addition to the above-mentioned, in such abundantly used terms as 'entrepreneur instinct', 'entrepreneur persistence', 'entrepreneur will', 'entrepreneur perseverance', 'entrepreneur vigour', 'entrepreneur calling' and 'entrepreneur mindset'. The thought of entrepreneurship as a characteristic of human nature was often taken to the very end: 'The entrepreneur instinct is just as persistent in humans as the self-preservation instinct in which it is after all based on.'[7]

Thirdly, private entrepreneurship was presented as an integral part of the Finnish national character and the nature of the whole nation, as the 'basic condition of the nation's existence', in which case protecting it was portrayed as the common mission of the whole nation.[8] According to the entrepreneurship discourse, the economic achievements of Finland had at all times been based on competition and private enterprise: 'While private entrepreneurs have been the supporting force of the country's economy, Finland has been

4 Yksityisyrittäjä 9/1943, 'Yrittäjähenki', 40–41.

5 See Lehtonen, Mikko (1998) *Merkitysten maailma. Kulttuurisen tekstintutkimuksen lähtökohtia*. Tampere: Vastapaino, 23-25; Vehkaperä, Meri (2003) *Yrityksen yhteiskuntavastuu – vastuuta voittojen vuoksi?* Taloustieteiden tiedekunnan julkaisuja N:o 135/2003. Jyväskylä: Jyväskylän yliopisto, 35.

6 Yksityisyrittäjä 10–11/1941, Yksityisyritteliäisyys, 5; Yksityisyrittäjä 16/1944, Nyt jos koskaan on yritettävä, 2–5; Kauppalehti 28.11.1941, Ihmisolemuksen liikkeellepaneva voima on yksilöllinen yrittäjähenki.

7 Talous ja Koti 6/1941, J.R., Kuka on yksityisyrittäjä?

8 Talous ja Koti 13/1948, 'Yritteliäisyys kansan olemassaolon edellytys'.

able to enjoy a magnificent economic development.'[9] The economic upbeat preceding the wars was declared as a merit of private enterprise — and the economic difficulties of war time could easily be included in the long list of sins of the state-led controlled economy. The political conclusion of this was clear: if private enterprise was touched, the core of economic activity would be interfered with and the country's economic capacity of production would be put in severe danger.

According to the entrepreneurship discourse, private enterprise could only work in conditions of competition and freedom. The basic idea was that competition based on freedom supported in itself the democratic political system. Economic competition was defined rather like a part of democracy in which case limiting it was an offence to democratic character and interfering with political democracy consequently put free competition in danger. The member of parliament Usko Koski who had the confidence of private entrepreneurs expressed this interdependency as an absolute truth: 'An inch lost on the freedom of the economy has definitely meant a similar loss on the citizen's basic freedoms.'[10]

The defence of free competition and private initiative was built upon a generalising take and the polysemy of words was utilised effectively.[11] For example, the definitions created for private entrepreneurship were an important part of the discursive power struggle during the regulated economy. Moreover, the entrepreneurship discourse emphasized that 'private enterprise is not a private matter of any group' and therefore it was not only the entrepreneurs themselves that should cherish the entrepreneurial spirit.[12] In the most extensive sense, all citizens or at least the large majority of the nation was considered to be a private entrepreneur because 'every working individual is a private entrepreneur from their social status': he sells his labour to the highest bidder and gets the supplies he needs from the most profitable place.[13] In a strongly agricultural country, it was especially important to include the peasants as private entrepreneurs.[14] From this point of view the actions of the state that limited private enterprise unnecessarily were directed against the large majority of the nation and were therefore generally harmful.

9 Yksityisyrittäjä 6/1940, Uusi tie, 1.

10 Talous ja Koti 6/1948, Tuuma taloudesta – tuuma kansalaisvapaudesta.

11 Jokinen – Juhila – Suoninen 2004, 30; Fairclough 1992, 187.

12 Yksityisyrittäjä 21/1944, Yksityisyritteliäisyyden Viikko marraskuun 19–26 pnä.

13 Talous ja Koti 6/1941, J.R., Kuka on yksityisyrittäjä?

14 Talous ja Koti 10–11/1943, Suomen talonpoika on ollut ja tulee olemaan yksityisyrittäjä.

Guardianship discourse

In Finland, the representatives of the private business sector accepted almost without objections the state's economic regulation and its aspiration towards a more planned economic and financial policy during the war. However, the economic control of the state was portrayed at the same time as a necessity and as a threat. The representatives of the business sector acknowledged the limitations of the market economy in exceptional circumstances: with free competition alone, it was impossible to ensure that the resources which were scarcer because of the war would be directed in a socially fair way, or to prevent speculation and profiteering.[15] Centred state-led economic regulation and planning was needed in order to direct the resources of the nation first to war endeavours and then to the reconstruction of the country. However, the entrepreneurs did not want to give the state unlimited power to control.

The representatives of the private business sector actively took part in the definition struggle about the war economy and the regulated economy. The matters at hand concerned the kind of meanings the state-led economy was given, how extensive it was defined to be and what its relationship to private enterprise comprised. The attitude of the business sector to the state-led economy was dual: in practice, the 'interference' of the state was tolerated while at the same time it was harshly criticised in public. It can be said that the business sector did not miss any chances to criticise or redefine. The discourse of the business sector was dominated by the guardianship discourse where the negative imagery was in a controlling position.

The regulation critique of the private entrepreneurs clearly had two levels: the ideological and the political. The ideological discourse was about pointing out the weaknesses of the state-led economy in comparison to the free market economy. In this context, the discourse was easily elevated to the level of economic systems and economic and political power. Governmental control was equated straightforwardly with different forms of 'collective economy' or at least the vagueness of the line between them was pointed out: 'forced economy', 'command economy', 'planned economy' and even 'socialism' would

15 Talouselämä 7–8/1940, Sotatalouden kulmakiviä, 67–68; Talouselämä 7–8/1940, von Fieandt, R., 'Business as usual'; Talouselämä 21–22/1942, Valtion puuttuminen talouselämään...; Kauppalehti 13.1. 1940, Taloudellinen rintama; see Pihkala, Erkki (1982) 'Sotatalous 1939–1944'. In Ahvenainen, Jorma, Pihkala, Erkki & Rasila, Viljo (eds): *Suomen taloushistoria 2*. Teollistuva Suomi. Kustannusosakeyhtiö Tammi: Helsinki; Teräs, Kari (2005) 'Luottamus "valtiojohtoisessa markkinataloudessa" toisen maailmansodan aikana'. In Vihanto, Martti (ed.) *Instituutiotaloustieteen nykyisiä suuntia*. Turku: Turun korkeakoulujen yhteiskunnallis-taloudellinen tutkimusyhdistys r.y. Åbohögskolornas förening för social och ekonimisk forskning r.f, 143–144.

be easily at hand if the state interfered too much in the economy. As a rhetorical effect of ideological critique, strong dichotomies were made, differences were exacerbated and the extremes were taken as far away from each other as possible. The market economy and free competition were always indisputable winners in the comparison of the two systems.

The political critique of the state-led economy dealt with the content of the regulation decisions and first and foremost the extent of the control authorisations they gave to the authorities. The central issue was how much the control deviated from the customary business activity and to what extent the authorities could interfere with the operation of the markets. The discourse took up eagerly any discovered excesses in controlling: 'the freedom of the entrepreneur is constrained too much' was the most usual comment on almost every regulation decision.[16] It was also customary to pronounce new control authorisations given to the Ministry of National Supply systematically as 'guardianship', 'meddling' and 'interference' with which the freedom of private entrepreneurs was unnecessarily limited. From this it was a short transition to a discussion about the opposing economic systems: the transition from the political discussion to the ideological field happened in a moment whenever necessary. Individual control decisions were quickly interpreted as a long step towards a permanent state-led economic system.[17]

The guardianship discourse looked for the conditions with which the private business life could feel confidence in the practises of the regulated economy. Confidence is about having trust in matters, institutions and organisations; people have the tendency to have confidence in, for example, the law, the police and the state, which were all formed over a long period of time as a result of human action and in which people have little direct influence on.[18] In the guardianship discourse, two main conditions for confidence came up. According to the first one, the control of the state should be extremely weak and it should not touch upon the deep structures of the economy. The leading

16 Talous ja Koti 21–22/1941, 'Yrittäjän vapautta kahlitaan liiaksi'.

17 Kauppalehti 24.8.1940, Kehittyvä uusi organisaatio; Kauppalehti 26.5.1942, Liikemieskunnan suhtautuminen valtiojohtoisuuteen; Kauppalehti 27.11.1942, Valtion tehtävänä talouselämässä on olla ainoastaan ohjaavana osapuolena Kauppalehti 27.11.1942, Lauri Helenius: Valtion ohjaus on tarpeellinen; Kauppalehti 11.12.1942, Yrittäjien pakollisen järjestäytymisen ajatus).

18 See Luhmann, Niklas (1979) *Trust and Power*. New York: Wiley; Luhmann, Niklas (1988) 'Familiarity, Confidence, Trust: Problems and Alternatives'. In Gambetta, Diego (ed.) *Making and Breaking Cooperative Relations*. Oxford: Basil Blackwell; Seligman, Adam (2000) *The Problem of Trust*. Princeton: Princeton University Press; Nooteboom, Bart (2002): *Trust. Forms, Foundations, Functions, Failures and Figures*. Edward Elgar: Cheltenhamn; Nooteboom, Bart (2003) 'Trust Process'. In Nooteboom, Bart – Frédérique Six (eds) *The Trust Process in Organizations. Empirical Studies of the Determinants and the Process of Trust Development*. Cheltenham: Edward Elgar.

principle had to be that business should continue as much as possible in the same way as before even in exceptional circumstances: 'Business as usual'.[19] The state with its own actions was not allowed to change the relations between competitors, and it had to be absolutely impartial towards all the businesses working in the same field.[20] As a second condition for confidence, the demand of the regulated system being only temporary was presented repeatedly. The business life had to be able to have confidence that the control would stop as soon as the circumstances allowed it. If this was not a certainty, the fears about the destiny of private enterprise under the strain of the state's guardianship would grow.[21] These conditions connected in such a way that it was believed that it would be easy and quick to get rid of the limited control.

The essential achievement of the discursive definition struggle was the concept of the 'state-led market economy' launched in 1942 by a production committee set up by the government. The business life could build their defences upon the concept. The definition united two concepts in a way where the market economy was primary and the state's part was limited to a directional role. According to the production committee which had done economical planning for the coming years, the state-led market economy was based on the peasant economy, co-operative operations, private enterprise and the state's own business activities and economic policy.[22] The state-led market economy was interpreted in the guardianship discourse to exclude the actual planned economy, not to mention the other forms of collective economy. Nevertheless, the interference of the state should be more planned and centred than before.[23] The content of both parts of the concepts and their interrelation was actively discussed in public. The representatives of the private economy had an absolute and uncompromising opinion about the order of

19 Talouselämä 7–8/1940, von Fieandt, Rainer, 'Business as usual'; Talouselämä 41/1940, Valtiojohtoinen talouselämä, 443–444.

20 Lehtinen, Artturi (1945) 'Sodanaikaisen ulkomaankaupan säännöstely, kaupan kehitys, rahoitus ja merikuljetukset'. In Untamo Utrio (ed.) *Viisi vuotta kansanhuoltoa*. Helsinki: Kansanhuoltoministeriö, 178–179; Lehtinen, Artturi (1967) 'Sotatalous 1939–1945'. In *Itsenäisen Suomen taloushistoriaa 1919–1950*. Historian Aitta XVII. Porvoo: WSOY, 214; Teräs 2005, 155–156.

21 Kauppalehti 19.6.1942, Keskustelua talousjärjestelmästä.

22 Kom. 1942: Mon. 5: II, 10–14; Talouselämä 17–18/1943, Bruno Suviranta, Sodanjälkeisen talouspolitiikan suuntaviivoja meillä ja muualla, 303–310; Teräs 2005,143–148; Teräs, Kari (2008) 'Kilpailu, yhteistyö ja luottamus elinkeinoelämän puhunnassa sota- ja säännöstelytalouden aikana 1939–1949'. In Keskinen, Jarkko & Teräs, Kari (eds) *Luottamus, sosiaalinen pääoma ja historia*. Historia mirabilis 5. Turku: Turun Historiallisen Yhdistyksen referee-sarja, 271–272; Teräs, Kari (2009) *Yritys ja yhteiskunta. Heikki Huhtamäen verkosto- ja sidosryhmäsuhteet*. Historiallisia Tutkimuksia 246. Helsinki: Suomalaisen Kirjallisuuden Seura, 159–161.

23 Kauppalehti 14.8.1942, Valtiojohtoinen markkinatalous.

importance of the concepts: 'Whenever the possible options are freedom and regulation, the aforementioned should be preferred.'[24] However, the line the production committee took for the market economy and its strict critique on the regulation system seemed to have reinforced the confidence private enterprise had in the future.[25]

In the guardianship discourse of the private business sector, the economic control of the state and bureaucracy were continuously presented almost as synonyms. In this, they supported the wide lack of confidence and discontent citizens had towards national rationing.[26] Free competition was described in the guardianship discourse as automatic by nature, and therefore it did not need to be burdened by expensive and heavy administrative machinery, instead it could direct economical resources efficiently by itself. This was used as an argument supporting the view that the more competition was limited and repressed in the controlled circumstances, the stronger the bureaucracy's tendency was to gain ground. These two enemies were portrayed to be constantly struggling for living space as with the rules of the zero-sum game.

The flexibility of private enterprise was methodically presented as the opposite of the rigid bureaucracy of the state; the definition struggle went on through strong dichotomies. The state-led economy was clear 'paper economy', 'bureau economy' or 'paper command' which was painfully rigid, inflexible and slow: matters which required quick decisions spent impermissibly long times in different administrative offices.[27] The nature of the bureaucratic 'command economy' was to repress 'healthy economical development' because in practise it paralysed and impeded business activities. Bureaucracy hindered creativity and initiative and could not take the entrepreneurs wishes into consideration.[28] Private entrepreneurs portrayed the public administration as a parasitic structure which took great costs to maintain while remaining

24 Kauppalehti 4.4.1940, Monopoli-ilmiöt kansantaloudessa.

25 Kauppalehti 14.8.1942, Valtiojohtoinen markkinatalous; Kauppalehti 18.8.1942, Maamme vastaisen kauppapolitiikan suuntaviivoja; Kauppalehti 31.8.1942, Kansantalouden 'rationalisoiminen'; Kauppalehti 4.9.1942, Valtionjohtoisuus iskusanana; Teräs 2005, 147–148.

26 Toivonen, Onni (1950) *Kymmenen vuotta kansanhuoltajana. Muistelmia*. Turku: WSOY, 204–205, 225–241; Salonen, Seppo Heikki (2005) *Puotipuksusta suureksi toveriksi. Onni Toivosen elämä*. Helsinki: Edita, 134–142; Seppinen, Ilkka (1996) *Ahdinkoajan varalle. Taloudellinen puolustusneuvosto ja puolustustaloudellinen suunnittelukunta huoltovarmuuden kehittäjänä 1929–1955–1995*. Helsinki: Oy Edita Ab; Rantatupa, Heikki (2004) 'Kansanhuolto toisen maailmansodan aikana 1939–1949'. In Peltonen, Matti (ed.): *Suomen maatalouden historia II.* Kasvun ja kriisien aika 1870-luvulta 1950-luvulle. Helsinki: Suomalaisen Kirjallisuuden Seura.

27 Yksityisyrittäjä 1/1942, Liikemaailman kokemukset viranomaisista, 1; Yksityisyrittäjä 3/1943, Mitä on virastokankeus?, 16; Kauppalehti 8.6.1946, Arvi Raikkala, Milloin päästään säännöstelyn rysästä?

28 Kauppalehti 11.12.1942, Yrittäjien pakollisen järjestäytymisen ajatus.

inefficient. Economic bureaucracy was described as an unnatural and artificial structure. The authorities were characterised as arrogant and the administrative procedures 'with perpetual meetings' were stigmatised as a completely unnecessary waste of time.[29]

In the critique directed at bureaucracy, it was emphasised that the officials were 'theoretical', book-learners, impractical and had a lack of expertise in the field of business. The extensive control authorisations that were granted for the supply authorities included, therefore, noteworthy risks since 'the government's expertise often completely lacks expertise'.[30] The representatives of the private entrepreneurs thought that the regulations drawn up by 'masters unfamiliar with the issues' were foreign to real life.[31] As an opposite, the guardianship discourse took up 'practical men' who had long-term experience and knowledge about the operational mechanisms of the economy and knew the everyday realism of business. If they were leaned on, the economy would work efficiently and smoothly without any unnecessary administrative complications.

The impartiality of the government was disputed time after time in the guardianship discourse of the private entrepreneurs by referring especially to the favourable treatment of the co-operative movement in taxation in comparison to other forms of enterprise: 'The truth is – I am sorry to say – that the relationship of trust between the state and the economy that naturally should be the beginning and the end of everything has been severely shaken by partial actions.'[32] The authorities had to earn the trust of private enterprise with actions that would remove the special privileges so that all forms of enterprise would be placed on the same level. If the government gave up on the principle of equality, it caused conflicts between different forms of enterprise and deteriorated the operational capacity of the whole nation.

29 Kauppalehti 4.1.1945, 'Hän on neuvottelussa…' .

30 Talous ja Koti 21–22/1941,'Yrittäjän vapautta kahlitaan liiaksi' ; Kauppalehti 22.7.1942, Talouselämän byrokratisoiminen (pk); Yksityisyrittäjä 8/1946, Valtiovallan asiantuntemus usein täydellistä asiantuntemattomuutta, 4.

31 Talous ja Koti 21–22/1941, 'Yrittäjän vapautta kahlitaan liiaksi'.

32 Yksityisyrittäjä 6/1940, Uusi tie, 1; Henttinen, Annastiina (1999): Kolmannen tien etsijät. Kuisma, Markku, Henttinen, Annastiina, Karhu, Sami & Pohls, Maritta: *Kansantalous. Pellervo ja yhteisen yrittämisen idea 1899–1999*. Pellervo-Seura ry. Kirjayhtymä Oy: Helsinki, 151–156.

Co-operation discourse

The notions and practical demands of the state-led economy made it necessary to emphasise the co-operation of entrepreneurs alongside competition – and partially at the expense of it. In the discourse of the business sector a clear transformation happened especially through the emphasis on co-operation: in the exceptional circumstances it was not enough only to emphasise the values and institutions of the market economy.[33] The co-operation discourse which had achieved quite a dominant role during the war time brought new tones to the discussion of both the market-driven economy and the state-led economy.

According to the co-operation discourse, the co-operation with the government would not go smoothly if the businesses could not agree on common rules within their lines of business, trust each other and present themselves in a united manner to the government. Consequently, it would be impossible for the state to direct the business sector if it did not have on its side the powerful organisations of the business sector that would take responsibility for their own lines of business.[34] Without the confidence and co-operation between these parties, it was believed that the whole control system would be driven into a dead end. It was thought to be self-evident that 'the government needs the support and backing of the business organisations' to direct business and make it more efficient.[35] The representatives of the private business sector often presented harsh critique on how the government did not lean enough on the support and expertise of the business organisations when making economic decisions.

In the co-operation discourse, strong appeals were made for economic organising because co-operation with the authorities could only be efficient through organisations: 'Without a strong organisational activity, free business and with it our whole economy would be like a ship adrift in a storm.'[36] Individuals or individual businesses were not credible actors in the regulated economy, the wheels of which were bureaucratic even out of necessity. When the authorities were in contact with the business organisations, the lack of trust between competitors could be reduced. The growth of 'the political markets',

33 Fairclough 1992, 35–36; Jokinen, Arja – Juhila, Kirsi (2004) 'Valtasuhteiden analysoiminen'. In Jokinen, Arja & Juhila, Kirsi & Suoninen, Eero *Diskurssianalyysin aakkoset*. Third Edition. Tampere: Vastapaino, 101–105.

34 Kauppalehti 23.10.1940, Järjestöpakko; Yksityisyrittäjä 6/1940, Kansanhuoltoministeriö ja liike-elämä. Ministeri V.A. Kotilaisen esitelmä, 4–6, 20; Yksityisyrittäjä 6/1940, Järjestöpakko saa kannatusta, 14–15.

35 Yksityisyrittäjä 8/1943, Paavo Aarnio, Näkökohtia elinkeinoelämän järjestötoiminnasta, 21–25.

36 Yksityisyrittäjä 5/1946, Talouselämä nuorallatanssijaksiko...?, 2.

which were characteristic for the controlled economy, raised suspicion on the impartial treatment of businesses. There were exceptionally good chances to improve the trust of the competitors, which in general was low, during the controlled period since the government restricted competition and determinedly removed hindrances of co-operation.[37]

The organisational activity was pronounced as 'the symbol of our time' and as the duty of the private entrepreneurs who traditionally emphasised individuality. During the war time, it was felt to be important to point out that 'private enterprise is by no means the enemy of co-operation, rather it actually requires just that and finds right and suitable forms for all co-operation'.[38] The democratic state system and 'the social balance' were seen to necessitate the proper organisation of all interest groups.[39] According to the co-operation discourse, the economic organisations were first and foremost actors of the national economy that also taught their members to 'adjust to the interests of the whole society, following the rule that common interest has to always be placed before the interest of the individual'.[40] Because businessmen needed both the protection of the law and the limitations it set in their businesses, 'the state and the society have to always have the right to trust the impeccability of the business community'. The ones who betrayed the trust deserved a severe moral judgement. According to the co-operation discourse, a central mission of 'the organisations of the business community' was to promote and oversee that good business moral was followed.[41]

In individual speeches, they were not timid to admit that some 'ruthless, immoral predators' had gained a hold in the business community and the organised businessmen should clearly separate themselves from these people.[42] According to the co-operation discourse, the future of business life depended on 'how the moral of the business community could bear the hardships in the time of crisis'. If the business life lost the trust of the rest of the society during exceptional times, it would be difficult to gain it back. It was perceived to be

37 Compare, Casson, Mark (1997) *Information and Organization. A New Perspective on the Theory of the Firm.* Oxford: Oxford University Press; Nooteboom 2002, 76–77.

38 Talous ja Koti 3/1944, Yksityisyritteliäisyydestä sanottua 10 vuoden ajalta.

39 Talous ja Koti 16/1943, Keskiluokka, valtio ja järjestäytyminen.

40 Talouselämä 7–8/1942, Askel 'suunnitelmataloutta' kohden, 81–82.

41 Kauppalehti 12.9.1940, Liikemoraali; Kauppalehti 4.9.1940, Taloudelliset järjestöt; Kauppalehti 28.11.1941, Yksityisen yrittäjätoiminnan tulevaisuus.

42 Yksityisyrittäjä 9/1943, Nimensä häpäisijät, 1.

a problem that opportunistic behaviour, 'self-interest seeking'[43], in relation to the official and unofficial rules of the exceptional times, could spread quickly through example, in which case it would develop from individual cases to a social problem:

> *Precisely that danger of spreading should already be paid attention to. It is so that if an industrial establishment or a shop breaks or works around the law and in that way can temporarily earn more than its competitor, this competitor is tempted to succumb to the same kind of dishonesty which means that an individual case starts to form into a common habit which breaks the whole foundation of business.*
>
> (Kauppalehti 6.2.1941, Säännöstelymääräysten rikkomukset.)

During the war time, serving the society and promoting the common good became a guiding star of business according to the co-operation discourse, although it was not considered to be in complete conflict with seeking personal gain. Charity which expanded during the war time, especially the great donations from the industrialists for public utilities which gained a lot of attention publically, and the expansion of welfare work of factories was interpreted as an indication that private businesses could fulfil their social responsibilities. They were considered to prove 'how wrong the argument was of private enterprise being selfish and unsocial'. At the same time they were interpreted in the co-operation discourse as a proof that private entrepreneurs had taken on 'solidarity' and their businesses were invigorated by 'a social mind'.[44]

The co-operative nature of the Finnish business sector, which was interpreted as 'natural', was given a clear and topical substance: the better the co-operation inside the business sector worked, the bigger role the trade associations could get in executing the control and the better they could defend the mechanisms of the free market economy. The central message of the co-operation discourse was that the organisations should have self-regulation on an area of 'economic autonomy' as wide as possible, and on this the directional activity of the government could build upon.[45] The business sector wanted to manage as much of the tasks of the regulated economy as possible among

43 Williamson, Oliver E. (1989): Transaction costs economics. In R.L. Schmalensee & R.D. Willing (eds): *Handbook of Industrial Organization*, Volume I. Amsterdam: Elsevier, 139.

44 Kauppalehti 28.11.1941, Yksityisen yrittäjätoiminnan tulevaisuus; Talous ja Koti 2/1944, Sosiaalinen mieli ja yksityisyritteliäisyys; Teräs 2009, 245–248, 286–301.

45 Talouselämä 33–34/1940, Tuonnin ja sen valvonnan keskittäminen, 353–354.

themselves without interference from the government. The aim was to present the autonomy as an arrangement supporting the control, not unsettling it.

It was difficult for the business organisations to claim an authoritative position in the regulated economy if they could not achieve 'discipline' in their own field. When the voluntary means to enhance organising did not seem to produce good enough results, mandatory organisations became an option worthy of consideration.[46] Discussion about mandatory organisations can be taken as a held out hand towards the government: its purpose was to inspire confidence in the authorities regarding the desire and ability of the economic organisations to operate in the conditions of the controlled economy and to support its goals. Mandatory organisations were considered to elevate the social significance of economic organisations and to put an end to the doubts about their ability to represent their own fields of business. In multiple texts, there were approving references to the German model where the mandatory business organisation and the wholesome effect of 'private initiative' had been able to unite in a successful manner.[47]

Mandatory organisations were much discussed during the war time and it had a lot of support from the economic organisations out of principle. At the end of the year, 1941, Walter Rydman announced that he supported the idea because it would reinforce the 'social way of thinking' among entrepreneurs. Also, the free rider problem came up in the arguments. The professional organisations had obtained such benefits to all businesses that also the businesses which were not a part of an organisation could enjoy them.[48] In the public discussion, there were many opinions, according to which it was only through mandatory organising the trade associations that co-operation partners, challengers or even substitutes could become worthy of consideration for the control machinery of the state. A complete organisation would enhance the ability of the organisations to act as 'an economic executive organ' which could also be granted official authorisations. A mandatory organisation would

46 Kauppalehti 23.10.1940, Järjestöpakko.

47 Talouselämä 41/1940, O.W. Louhivuori, Valtiojohtoisuus Italian ja Saksan taloudessa, 445–452; Kauppalehti 14.12.1940, Terve kilpailu sälytettävä; Kauppalehti 7.1.1942, Onko riippumattomalla yrittäjällä tulevaisuutta?; Kauppalehti 10.2.1942, Siirtyminen sotatalouteen tapahtui hankauksitta Saksassa; see Faber, Jasper (2000) 'Trade Associations in Dutch Fruit-processing Industry 1910–1970'. In Kuijlaars, Anne-Marie, Prudon, Kim & Visser, Joop (eds) *Entrepreuners, Politics and Networks in a Historical Perspective*. Proceedings of the Third European Business History Association (EBHA) Conference 'Business and Society', September 24–26, 1999, Rotterdam, The Netherlands. Rotterdam : Centre of Business History, 317–318.

48 Kauppalehti 28.11.1941, Elinkeinoelämän järjestöjen merkitys kasvanut poikkeuksellisissa oloissa; Kauppalehti 4.9.1940, Taloudelliset järjestöt; Kauppalehti 18.2.1943, Järjestöpakko. Teräs 2005, 158–159; Teräs 2008, 282–283.

guarantee such an airtight organisational discipline that all the entrepreneurs would have to follow the control commands and operate in a way which is predictable and inspires trust.[49]

However, the mandatory nature of organisations badly suited the private business sector which defended freedom fiercely. Mandatory organisations also raised the question of a state representation in the governing bodies of the trade associations.[50] The possible loss of the 'autonomy' which might occur through representatives of the state was in the end too much for the private business sector, and at the same time there were fears that through mandatory organising, the organisations would allow certain undesirable people to join them with a 'spirit which opposed' their intentions.[51] In the end, Finland did not take the path of mandatory organisations, although attempts were made to solve the problem on a voluntary basis. Although complete organisation remained a fantasy, the business organisations of many fields strengthened considerably during the years of war.[52]

The entrepreneurs had to be able to unite the demands set by 'social solidarity' and 'private initiative' as a harmonic unity in their businesses. New concepts were also created in the co-operation discourse with which these two starting points were attempted to meet, and with which the entrepreneurs wanted to prove that their contemplation had changed to become more responsible than before. Alongside individual freedom, it was discussed that the entrepreneurs could only keep their freedom in exceptional circumstances in the form of the 'group freedom' and 'collective freedom' provided by the organisations. In the organisations, private entrepreneurs were safe because the organisations could unite their interest to the common interest of the society and actualise the aspirations of the controlled economy. In the organisations, the hope was that the entrepreneurs would learn to think about economic issues as a more extensive phenomenon than just business economics.[53]

49 Yksityisyrittäjä 2/1943, R. Teerisuo, Järjestötoiminnan uudistaminen, 2–5; Kauppalehti 11.12.1942 Yrittäjien pakollisen järjestäytymisen ajatus.

50 Yksityisyrittäjä 8/1943, Paavo Aarnio, Näkökohtia elinkeinoelämän järjestötoiminnasta, 21–25; sama, Usko Koski, Järjestöpakkokysymyksestä, 25–28.

51 Yksityisyrittäjä 6/1943, Järjestötutkimus, 2–6.

52 Teräs 2008, 282–283; Teräs 2009, 218–244.

53 Kauppalehti 17.4.1942, Ammatillinen järjestäytyminen nykyoloissa; Yksityisyrittäjä 11/1942, Yksityisyritteliäisyyden viikko, 2–10; Toivonen 1950, 86.

Deregulation discourse

The economy also had to be controlled in Finland after the war had ended. Even then it could not be precisely predicted how long and how extensive the controls would continue. However, the regulations were curtailed little by little as the economic and productive conditions were met. This need for control by the state was kept up especially due to the difficulties of getting enough raw materials, modern technology and consumables that the citizens badly needed in the country because of the currency shortage. Rebuilding the country, settling the Karelian people and war reparations were enormous national projects which demanded the public direction of economical resources.[54]

The organs of the business sector emphasised that making production more effective and improving the citizen's standard of living could only succeed through private enterprise. Entrepreneurs were described as servants of the whole country and securing the requirements of entrepreneurship was defined as a mission of the whole nation. As an issue of utmost importance it was questioned how freely and unrestrainedly private enterprise was allowed to carry out this national mission. Consequently, it demanded that the bureaucracy and the control of the state which hindered business should be drastically reduced.[55]

The discussion about economic regulation had new tones after the peace had been established and the justifications for the mandatory nature of the system were no longer as strong as in the war time. It was considered to have lost some of its legitimacy and its 'psychological foundation' in the new situation. This can be seen in a deregulation discourse, in which it was demanded that the economic regulation would be abandoned as completely as possible, started to dominate the texts of the private business sector after the wars. The core content of the deregulation discourse was to create justifications for the radical decreasing of the economic control of the state and to clear the path for the return to the peacetime economy. The discussion was about the kind of role private enterprise and a free market economy would have in the time after economic control.

54 See Karonen, Petri (2006) 'Johdanto – Kun rauha tuo omat ongelmansa'. In Petri, Karonen & Kerttu Tarjamo (eds) *Kun sota on ohi. Sodasta selviytymisen ongelmia ja niiden ratkaisumalleja 1900-luvulla*. Historiallinen Arkisto 124. Helsinki: Suomalaisen Kirjallisuuden Seura, 9–20.

55 Kauppalehti 29.6.1946, Yrittämisen vapauden puolesta; Kauppalehti 16.11.1946, Yrittäjät maan palvelijoina; Kauppalehti 23.11.1946, Usko Koski, Tuotannon tehostaminen ja elintason kohottaminen onnistuu vain vapaan yritteliäisyyden avulla.

Deregulation was one of the most central discussion topics of the time. The representatives of the business sector demanded quick action on the one hand and serious consideration in executing the deregulation on the other. According to the deregulation discourse, the economic control could not, in practice, be abandoned at once but it had to be done 'carefully and systematically' in order to be able to ensure economic stability.[56] In the texts of the business sector, it was continuously emphasised that the deregulation should be executed methodically, logically, gradually and at the right time instead of making random decisions.[57]

The deregulation discourse built upon strong threats after the war. The private business sector still perceived the future as unsure and full of risks. This can be seen in the fact that socialism and the 'socialisation' of economic life rose strongly to the public debate after the political change following the war. The representatives of the private business sector continually warned that the left aspired to leave the economic control as a 'permanent system'.[58] It was a rhetorical tool of the representatives of the business sector to connect unpopular rationing and socialism systematically together. Although they were not actually claimed to be the same, the kinship of these 'systems' was brought up straightforwardly. The socialised command society was described with pleasure with the terms of the regulated economy and the threat of it was portrayed to be acute.[59] The slow pace of deregulation was interpreted as compelling evidence of the fact that the left was actually preparing for socialism and attempted to use the control system as a stepping stone.

The private sector of the economy was even more worried about the freedom of the Finnish society when the country's government set up in February 1946 a so-called socialising committee which was assigned to study and plan 'the possibility of the society taking possession' of suitable fields of business or 'to increase the social influence on the economy' in some other form. The general goal of the committee was to find the means to make the economy more methodical. The composition of the committee mainly followed the parliamentary power relations and there was a noticeable representation of the private business sector in its right-wing members. The work of the committee,

56 Kauppalehti 17.11.1947, Säännöstelyn purkaminen.

57 Kauppalehti 25.1.1946, Kauppias, Vahingoksi osoittautunut säännöstely; Kauppalehti 30.6.1947, Säännöstelyn purkaminen; Talouselämä 47/1947, Säännöstelyn kriisi, 821–822; Talouselämä 17/1947, Enemmän johdonmukaisuutta, 281–282.

58 Kauppalehti 10.1.1946, Keskitettyyn suunnitelmatalouteenko?; Talous ja Koti 4A/1947, Yrittäjävapauden puolesta ja säännöstelyn purkamisen toivossa.

59 Yksityisyrittäjä 14/1946, Mihin suuntaan?, 2

which made extensive reports and research, was quarrelsome and proceeded slowly.[60] In the organs of the business sector, the 'socialisation pursuits' of the committee were perceived to be evidence that 'our left' aims for dictatorship and to set a monopoly of the state instead of competition.[61] The work of the committee dried up in the late 1940s because of the change in the political power relations, and its practical results were weak, mainly remaining at the level of research and suggestions. The fact that the committee's work came to an end with no results was described in the business sector as 'the end of a farce' which proved that private enterprise had taken down the collective forms of the economy.[62]

The earlier started critique of 'bureaucratic pursuits' was continued in the deregulation discourse and it was pronounced that the 'Finnish nation has had enough of trivial bureaucracy'. Deregulation was metaphorically presented as a removal of 'a malignant tumour' which sucks 'our nation's life force' after which the economy would recover quickly and the 'circulation of the economy' would start to work again.[63] The necessity of the deregulation was further underlined by speaking openly about the degeneracy of the rationing system: its expensiveness, inefficiency and corrupted practices.[64] During the war time, these crisis phenomena were left more or less to the background in the spirit of national consensus and apparently also in the fear of censorship.[65]

After the peace was reinstated, free competition started to present itself as a topical option which should quickly take over from 'the system of administrative authority'. The superiority of competition was explained basically with the same ideological arguments as before but the interest of the consumers were emphasised more strongly after the wars: 'The whole purpose of free competition is to meet the different needs of consumers and

60 See Paavonen, Tapani (1987) *Talouspolitiikka ja työmarkkinakehitys Suomessa toisen maailmansodan jälkeisellä jälleenrakennuskaudella vuosina 1944–1950*. Turun yliopiston julkaisuja/Annales Universitatis Turkuensis. Sarja C – osa 64. Turku: Turun yliopisto, 209–269; Paavonen, Tapani (2006) 'Taloudellinen kehitys ja talouspolitiikka hyvinvointivaltion kaudella'. In Paavonen, Tapani & Kangas, Olli, *Eduskunta hyvinvointivaltion rakentajana*. Suomen eduskunta 100 vuotta, Vol. 8. Helsinki: Edita, 36–37; Teräs 2009, 383–386.

61 Kauppalehti 8.2.1946, Sosialisoimiskomitea; Kauppalehti 18.2.1946, Sosialisoimiskomitea; Kauppalehti 31.8.1946, Vapaa talousjärjestelmä vai sosialismi?; Kauppalehti 16.9.1946, Sosialisoimishankkeet ja julkisuus; Kauppalehti 8.5.1947 Sosialisoimispuuhat.

62 Kauppalehti 19.12.1949, Erään farssin loppu.

63 Kauppalehti 2.5.1949, Byrokratia; Kauppalehti 22.11.1947, Turhasta säännöstelystä päästävä kiireimmiten.

64 Talouselämä 47/1947, Säännöstelyn kriisi; Talouselämä 37/1947, Olavi Salas, Säännöstelyn kustannukset, 604–605,; Talouselämä 38/1947, Olavi Salas, Säännöstelyjärjestelmämme epäkohtia, 625–626.

65 See Vilkuna, Kustaa (1962) *Sanan valvontaa. Sensuuri 1939–44*. Helsinki: Kustannusosakeyhtiö Otava, 102–104.

therefore the freedom and power of the consumer is most complete when free enterprise prevails'.[66] Because the regulated system had failed to satisfy the needs of the consumers, there was some pent-up pressure to consume.[67] The competition was described to be a kind of barrel of consumers' hopes which would remove the deficiency and misery that was distinctive to the regulated economy.

The deregulation discourse aimed to create a comprehensive option for the control of the state: 'We have to expedite the development which leads us back to the competitive economy.'[68] With the concept of the competitive economy, the impression of the systemic change needed to be emphasised, which is why it was not enough to dismantle the control partially. Through a competitive economy, themes which had been left to the background during the supply control came up in discussions; themes such as advertising, marketing and selling which described the revived competition of customers. New American teachings of business management were taken on quickly in the economic press at the end of the 1940s.[69] The Finnish business sector had to prepare itself for a challenge of an even larger scale: the freedom of international competition. For that, the domestic production costs had to be methodically reduced.[70]

As the status of competition strengthened as the foundation of the economy, the problems related to it started to gain some attention again.[71] In the deregulation discourse, the significance of 'healthy competition' was emphasised. The definition referred to both fair and socially responsible business:

> *The mission of competition is to keep business vivacious and reasonable of its costs in order for it to serve the society as efficiently as possible. For the same reason, competition has to follow healthy methods.*
>
> (Kauppalehti 24.11.1949, Kilpailun tehtävä)

66 Talous ja Koti 11/1946, Yrittäjävapaus –kuluttajan vapaus; Talous ja Koti 7A/1947, Vapaa kilpailu on myös kuluttajan vapauden perusta ja pohja; Talouselämä 47/1947 Säännöstelyn kriisi, 821–822.

67 Talous ja Koti 6/1947, Täyttyvätkö kuluttajain toiveet viimeinkin?; Yksityisyrittäjä 14/1946, Vapaa kilpailu takaa hyvän asiakaspalvelun, 30; Yksityisyrittäjä 16/1946, Kilpailuko tarpeeton rasitus talouselämälle?, 25; Kauppalehti 25.1.1946, Kauppias, Vahingoksi osoittautunut säännöstely.

68 Kauppalehti 10.1.1946, Keskitettyyn suunnitelmatalouteenko?

69 Teräs 2008, 288–289; Teräs 2009, 348.

70 Kauppalehti 18.6.1948, Säännöstelyn purkaminen; Kauppalehti 24.8.1948, Kilpailutalouteen!.

71 Kallioinen, Mika (2010) 'Kilpailun kieli – Suomalaiset kartellit sotien välisenä aikana. In Ojala, Jari, Eloranta, Jari & Roiko-Jokela, Heikki (eds) *Monelta kantilta. Ilkka Nummelalle omistettu juhlakirja*. Jyväskylän yliopisto. Jyväskylä: Historian ja etnologian laitos, 73–76, 79–82.

Even competition between business companies could be stigmatised as unhealthy and harmful in the spirit of the regulated economy. The business sector was ready to admit that even the economic sector itself was often guilty of reducing competition by 'creating different organisations and endorsing various agreements that control business' and that there were deceitful competition methods. At the same time it was repeatedly reminded that this type of unhealthy phenomena spring up most often when the public authorities oversee the economy.[72]

With competition they needed to also get rid of 'the false sense of security' that the uneconomic methods typical to the economic control had produced and that were emotionally very difficult to give up: the love of comfort often gained victory over business creativity and initiative.[73] The entrepreneurs themselves had to shake off the bureaucratic methods from their businesses and replace them with a spirit of service and competition.

The deregulation discourse started to produce a reality of its kind in the late 1940s. The economic control was reduced gradually and eventually the Ministry of Supply could be buried in 1949. The economic control of the state continued in many sectors of the economy, especially in foreign trade but the competitive economy had overcome its biggest threats. After a long period of co-operation, it was time to start to get used to the tough laws of competition which had been so beautifully and highly praised for about ten years. During the regulated economy, the extended and deepened co-operation had created a strong trust both inside the business sector and in the communication between it and the authorities – this tradition was aspired to remain as a resource of the Finnish economy also in the conditions of the competitive economy.

Conclusion

During the war economy and regulated economy, there was a strong discursive power struggle about the status of private enterprise in the state-led economy. The representatives of the business sector actively took part in this definition struggle: they had plenty of publicity and quite extensive support for their message, especially during the Weeks of Private Enterprise. The texts of the representatives of the private business sector were stigmatised by a clear duality: on the one hand they supported the exceptional arrangements out

72 Kauppalehti 18.6.1948, Säännöstelyn purkaminen; Kauppalehti 8.2.1949, Talouspoliittinen komitea.

73 Kauppalehti 16.10.1947, Säännöstelyn purkaminen.

of compulsion, and on the other hand they presented a harsh critique of the governmental intervention which had been taken too far. Although in the discourse of the business sector there was a clear juxtaposition between the government and 'the free economy', it has to be remembered that Finland's economic and financial policy was formed by unyielding supporters of economic liberalism.[74]

In this article, four tightly connected discourses, which were in continuous motion, have been distinguished from the texts of the private business sector. In the institutional entrepreneurship discourse, the general significance of private enterprise and the free market economy in the society was defined and described. The mechanisms of the market economy were presented in the entrepreneurship discourse of the business sector in a hegemonic way: they were natural, universal, self-evident and without option.[75] In the discourse, private enterprise was described both as a natural characteristic of an individual and as a crucial part of the Finnish national character. Other modes of speaking were built upon entrepreneurship discourse, which were supported and modified according to the requirements of the topical social context.

The guardianship discourse was, by its nature, defensive and openly challenging, and it presented the ideological and political critique of a state-led economy with strong and emotional metaphors. The discourse strongly built upon the unpopularity of the rationing system among the citizens. The business sector created strong dichotomies in publicity between the rigid and slow 'bureau economy' and the flexible and creative market economy. The guardianship discourse created and reinforced the fears that the economic control of the state would inevitably lead to 'a command economy' if it goes too far or if it limits too much the private initiative or the freedom of entrepreneurship. According to it, the economic control of the state should be as limited and temporary as possible, if anything as light as a feather.

The context of the war economy and regulated economy also caused changes and variations in the discourse of the business sector: pure economic liberalism badly suited the sentiment of the time. Intense co-operation was needed both between the entrepreneurs and the government and between competing entrepreneurs themselves. The central message of the co-operation discourse which strengthened during the war was that the business organisations should have self-regulation on an area of 'economical autonomy' as wide as possible.

74 See Teräs 2005, 143–148.

75 Jokinen & Juhila 2004, 80–82, 89–90

In the co-operation discourse, it was argued that the organised entrepreneurs were ready to serve the society and work in a morally sustainable way instead of purely seeking self-interest. According to the co-operation discourse, the economic organisations benefited both the entrepreneurs and the whole of society.

The discussion after the war was controlled by the deregulation discourse which was also built upon strong threat scenarios, the central content of which was to create the justifications for the intensive economic reduction of state regulations. According to this discourse, it was necessary to remove the economic control as soon as possible, albeit in a planned manner in order to not weaken the competitiveness of the Finnish business sector and to allow the country's economy to stand on a solid base. In the deregulation discourse, the concept of a 'competitive economy' was portrayed to be an option for the regulated economy: the free market economy had to be liberated from all its constraints and free competition should get back the directing role that belongs to it.

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KNOWLEDGE AND SKILLS AS NATIONAL CAPITAL
Industrial modernization, nationalism and the failure of Asea-Strömberg 1962–64[1]

JUHANA AUNESLUOMA

An onslaught on independence

In December 1962, Finnish newspapers were flooded with reports of outrageous assault on the country's independence. Unlike in days past, the threat did not originate from the east. This time it came from the west. An object of national pride, as well as industrial and technological prowess, Oy Strömberg Ab was about to be plundered by the Swedes.

'On our day of independence it is justified to pay attention to a danger that according to the information received in the past few days threatens the independence of the Finnish electrical industry', ran the opening lines of an editorial in Uusi Suomi, a conservative daily newspaper, on Finland's independence day, 6 December 1962.[2] Martti Paavola, a professor in electrotechnology at the Helsinki University of Technology, was even more dramatic: 'Strömberg is a great achievement created in 70 years by our electrical engineers together with workers, a national symbol that one now wants to lead into foreign hands'. This industrial and technological treasure was about to fall under 'dangerous foreign influence', which was a 'reckless and unpatriotic deed resulting in a national disaster'. The company's shareholders had no right to sell what Paavola saw as 'these professional men's intellectual capital'.[3] Should this happen, seconded another eminence in the Finnish industry, it would be

1 The author wishes to thank Mr John Welsh for his assistance in checking the language of the article.

2 *Uusi Suomi* 6.12.1962.

3 Professor Paavola's comments were reported in *Uusi Kuvalehti* on 14.12.1962 by the well-known political zealot and a latter day Fennoman Ilmari Turja, but also in other media and in the Swedish ambassador Gösta Engzell's letter to Utrikesdepartementet (UD) in Stockholm on 15.12.1962. Utrikesdepartementets Arkiv (UDA), Stockholm, H 114 Af, Diplomatiska framställningar, underhandlingar och avtal rörande handel och sjöfart, Finland maj 1962 – december 1964, Vol 11.

comparable to the treacherous surrender of the naval fortress Sveaborg to the Russians without firing a shot in 1808.[4]

Judging by the outcry, something was not quite going to plan in the Nordic world of business and finance. A couple of days earlier news had been leaked to the press that Asea Ab[5], one of Sweden's largest corporations and a leading manufacturer of electro-technical goods, harboured far reaching plans towards its smaller, but dynamic competitor on the other side of the Gulf of Bothnia.[6] Asea's management had approached Strömberg's owners[7] and made them an offer for a stock-ownership swap, according to which Asea, a significantly larger company, would exchange 1.89 per cent of its stocks for 28 per cent of Strömberg's share capital. The Finnish owners had found the offer tempting, but not because of the percentages of Asea, in itself not an inconsiderable position in a company of that size. Their motivation lay elsewhere. A cross-ownership of this kind would have cemented the companies into a permanent strategic partnership. It would have been a major step towards developing a competitive cross-border corporate alliance at a time when the world trading and financial system was entering a period of rapid transformation, liberalisation and expansion.

The rationale behind the creation of the Asea-Strömberg alliance lay in the coordinated potential of their research and development sectors. Both companies operated in a field characterised by paradigmatic technological change. The production, transmission and the uses of electric power expanded and entered into new areas. Automatization changed the face of industrial production. New technologies and applications emerged at the interface of mechanical engineering and electronics. Computers and digital technology were arriving on the scene. In the 1960s Asea achieved one of the true

4 The eminence in question was the managing director of the state-owned mining company Outokumpu Petri Bryk, whose statement was made in a press conference on 11.12.1962 and reported in Engzell to UD, 15.12.1962, UDA.

5 Allmänna Svenska Elektriska Aktiebolaget, established in 1883. Oy Strömberg Ab had been established in 1889.

6 The first news appeared on 2.12.1962, when the social democratic party organ reported on Asea's 'far reaching plans to acquire shares in a large Finnish industrial company in order to merge it into its extensive family of international subsidiaries'. *Suomen Sosialidemokraatti* 2.12.1962.

7 The majority of Strömberg was owned by other Finnish companies. The largest were Tampella (35 % of shares), Kymin (31 %), Valmet (10 %), Wärtsilä (7 %) and Ahlström (6 %). These represented the main branches of Finnish heavy industry from forestry products to engineering, machinery, shipbuilding and textiles. With the exception of state-owned Valmet, one would have felt more comfortable in their board rooms if one spoke Swedish rather than Finnish. In addition to Finnish owners, the Swiss group Brown Boveri & Cie owned 5 % of Strömberg's shares, a position it had held since the 1930s.

technological feats of the time: the know-how and capacity to design and build nuclear power reactors and plants.[8]

In Finland, Strömberg had not progressed quite as far, but in some products its know-how and innovation capacity matched that of Asea.[9] While its exports were still comparatively modest, it had become the domestic investment goods arsenal of Finland's industrial and societal modernization. It designed and delivered the electro-technical equipment and machinery requisite for industrial investments and the improvement of the national infrastructure. Electricity had become the power that kept the lights of modern society on, and Asea and Strömberg were the agents delivering the tools that kept that power flowing and glowing.

Unusually for Finnish companies at the time, Strömberg housed a large research and development facility. However, the race for new innovations was intensifying, and only companies with the willingness and the ability to invest more were likely to survive. While expensive to maintain, Strömberg's knowledge base increased the company's value and made it an attractive partner, or target for others in the sector. The temptation for joining forces with Asea stemmed from the benefits a comprehensive coordination of their research and development activities would bring to both companies. From sharing their knowledge, and secrets, in product development and research, their collaboration subsequently might extend into manufacturing and marketing operations, all aspiring to make them together a stronger bulwark against toughening international competition.

The talks had been going on for some months in autumn 1962 in utmost secrecy between Asea's and Strömberg's management and owners. However, before all the details of the deal were cleared up, the employees of Strömberg's plants in Helsinki and Vaasa got a whiff that something unusual was in the air. Their reaction was quick and fierce. Strömberg was not to capitulate to the Swedes. Without access to the minutiae of the talks, the mere thought that Strömberg's management was colluding with their Swedish counterparts made the staff furious.

The strong reaction of Strömberg's staff could be explained by the fact that Asea had for long been suspected of expansionistic tendencies and for

8 On the history of Asea, Glete, Jan (1983) *ASEA under hundra år: 1883–1983: en studie i ett storföretags organisatoriska, tekniska och ekonomiska utveckling*. Stockholm: EHF.

9 On the history of Strömberg, Hoffman, Kai (1989) *Sähkötekniikan taitaja. Strömberg 1889–1988*. Vaasa: Strömberg Oy.

its habit of swallowing up other companies.[10] According to popular stories circulating inside the firm, Strömberg had almost been gobbled by its stronger and bigger competitor in the interwar years, when Asea had managed to acquire a majority of its shares in 1928. In the end a modus vivendi between Asea and its competitors was agreed, when a company even larger than it, the formidable Swiss Brown Boveri & Cie (BBC) had bought half of Asea's stock in Strömberg leaving each holding a one third stake in the company.

In the 1930s a fine if somewhat trying balance existed between Strömberg's Finnish, Swiss and Swedish owners. Their agreement covered not only the ownership of Strömberg, but also, typically for the time, a cartelised division of the local markets which Strömberg's professionals later saw as an attempt 'to keep their company down'.[11] However, already before the outbreak of world war, their understanding over how to split the Finnish markets between them broke down. The final blow to the three-way balance came during the war, when wartime legislation limited Asea's and BBC's ownership to 14 percentages each. After the war, BBC decided to keep its stock whereas Asea, frustrated and disappointed, sold its own. But insiders knew to watch for Asea's return one day.

The 1940s and 1950s were decades of austerity and shortages for most Finns, but the hardships were fought with hard work, and that meant good times for large, domestically strong companies like Strömberg. The post-war reconstruction efforts and nation-wide investments gave it a strong growth impulse and elevated it onto a faster catch-up trajectory from where to challenge its bigger rivals. However, if Strömberg was developing favourably in the 1950s, so was Asea, which was also at the forefront of modern corporate management, rationalisation and organisation development. Curt Nicolin, its youngish and dynamic managing director, a 'planning engineer' by training, had earned his credentials in a heavy-handed restructuring of the airliner Scandinavian Airlines (SAS) in the 1950s. But as was stressed by Strömberg's staff, even worse than this representative of the new technocratic breed of professional corporate managers, was the dark past of Asea itself, which by coincidence also touched upon one of the low points of 20th century Swedish-Finnish relations. Strömberg's staff could not and probably did not want to forget how one of Nicolin's predecessors at the helm of Asea had been responsible, as the vice-chairman of the International Olympic Committee, for

10 *Uusi Suomi*, among others, pointed out this aspect Asea's expansion strategy in its editorial on 6.12.1962. See also *Maakansa* 13.12.1962.

11 Interview with Nils Björklund 17.5.2000; interviews with Aimo Puromäki 30.9.2002 and 22.10.2002. Interview notes in the possession of the author.

its decision in 1931 to disqualify the legendary Finnish runner Paavo Nurmi from attending the 1932 Los Angeles Olympic games.[12]

With the memories of the capitulation of Sveaborg and the Paavo Nurmi debacle evoked in this way, it was obvious that the prospect of joining forces with Asea roused deep sensitivities. As a response to the news received of the talks, practically all engineers and other technically trained personnel of the company, totalling more than 500 professionals in various positions of responsibility, signed a petition addressed to the company's management, where they voiced their concern and outright opposition to the proposed alignment with Asea. Even if the world was changing around them, they had the full confidence of succeeding in it by their own means. Before the management was able to respond, the employee's stormy reaction against the proposed deal became national news.

For weeks and months the 'storm around Strömberg'[13] became the political cause célèbre of public life in Finland. From being a dispute between the company's staff and its managers, or a discussion of an ordinary business transaction between two privately owned companies, it escalated into a debate about Finland's economic and technological future, its place on the map of an integrating Europe, relations with its neighbours, the inroads of international capital, and into searching explorations on the nature, meaning and the bounds of the Finnish nation and national identity in the modern industrial era. A whole range of characterisations and attributes were associated with both companies, their collaboration or competition, the immaterial or even spiritual capital they contained, who had created and who owned them, who had the right to do what with them, the companies' Swedish or Finnish identities, and also the sinister forces that were suspected of pulling strings behind the scenes.

When the storm finally passed, almost one and half years later in the spring of 1964, when Asea, overpowered, reluctantly gave up its plans and withdrew its proposition, it could be witnessed how the Finns had been agitated and also somewhat shaken by their first integration - or globalisation - debate, as it would now be termed. During the debate the levels, positions and relationships of the individual, the collective, the corporation, the nation

12 Engzell to UD 9.1.1963, UDA. The ambassador reported how a Strömberg staff member had spoken how Asea's long time managing director, Sigfrid Edström, had been the culprit behind Nurmi's disqualification in 1931. His role indeed had been central in the protest against Nurmi's amateur status as the vice-chairman of the IOC and the chairman of Swedish Sports Confederation, making him for a while one of the most hated Swedes in Finland. Edström famously crossed swords with his counterpart in Finland, the sports leader and agrarian politician Urho Kekkonen, who in turn in 1962 was the reigning president of the republic.

13 A headline of an editorial in *Nya Pressen* 10.12.1962.

and the international had been explored and juxtaposed and contrasted using old terms and conceptual understandings, but in a new context. This in turn gave rise to novel associations between the notions of work, knowledge, skills, technologies and capital in the modernising nation facing an internationalising world. The global awoke and defined the national, but in modes yet unseen.

The return of the language strife

One of the reasons why the debate over Asea-Strömberg was so fierce, lasted so long and animated so many, arose from the simple fact that Asea was from Sweden and Strömberg was from Finland. Strömberg's already existing connexion with the Swiss-based multinational BBC activated hardly any emotions other than those that conducting an ordinary business transaction would do. With Asea, things were different, but not just because of traditional national rivalry between two neighbouring countries, or elements of envy, jealousness and even ill will especially on the Finnish side. What made the nationality question in the companies' identities so acute was how two economic elite groups in Finland, one that mostly spoke Swedish, and the other one Finnish, clashed in an ongoing struggle for power and position in the nation's industrial and societal modernisation.

Right from the very first news and issued statements made in public it became apparent that the indignation caused by the Asea-Strömberg collusion was not the sole property of the staff and engineers of Strömberg. It is conceivable that the company's technical experts were not as concerned about the mother tongue of the owners and managers of their companies as they were about the future ownership and the autonomous prospects of their research and development efforts. Be that as it may, the language question still was not irrelevant, as further afield and deeper down in Finnish society and business life, language still played a role. What was interesting was how the prospect of internationalisation and integration, in the form represented by Asea's approach to Strömberg, reawoke the language strife that for the most part had been buried in the sands of soldier's graves in churchyards around the country in 1939–1945.[14]

The heart of the matter was in the ways in which financial and industrial power and property had clustered in Finland since the speeding up of

14 A contemporary analysis that saw the affair as a reversion to the older strife between the two language groups was an article by Aulis Pöyhönen in the January 1963 issue of *Turun Ylioppilaslehti*. The Swedish embassy in Helsinki adopted the same broad interpretation of the affair in its reporting to Stockholm.

industrialisation from the late 19th century. While it would be a crude simplification to say that all capital in Finland had coalesced into two camps signified by language, with their characteristic companies, banks and personal-familial networks, one Finnish and the other Finnish–Swedish, this pattern was very much present in Strömberg's pattern of shareholdings and stakeholdings. The former, the owners, spoke mostly Swedish, whereas the latter, the clients, customers and most staff, used Finnish as their mother tongue.

What was relevant for Strömberg's engineers also was how the technical and civil engineering profession had for a long time, particularly in the first decades following Finland's industrialisation, been dominated by the use of Swedish language. With the Fennoman movement challenging this state of affairs in the last decades of the 19th century, the language strife had divided the profession into two camps with their separate associations, clubs, student organisations and language based group identities.[15] However, broader socio-economic and demographic change gradually defused the situation as the numbers of Finnish speaking engineers overtook the Swedish speakers. By the interwar years the balance had shifted decisively in their favour. This meant that at the same time when the language strife had heated up in Finnish society and politics in the interwar years, the engineers' internal dissension had become less acute.

This trend had been heightened during and after the Second World War. The surge of post-war Nordism, at least in part motivated by Finland's position in the Soviet sphere of influence, and the related and renewed emphasis of Finland's historical connections with Sweden and Scandinavia, were felt in the engineering and other professional organisations as well. Old bones of contention were buried, but not entirely forgotten. Certain quarters of Finnish industry and commerce such as the all mighty forestry sector, were still after the war characterised by relatively higher numbers of Swedish speaking business and technology professionals. By contrast with the older forestry firms, newer industries and especially the state-owned companies had the appearance of being more favourably disposed to Finnish speaking engineers and other professionals. Also the fact that some leading figures in the state-owned companies and public utilities openly propagated for better career prospects for Finnish-speaking engineers after the war, kept the language issue on the agenda, albeit in a less confrontational form than it had been in times past.[16]

15 Aunesluoma, Juhana (2004) *Nykyaikaa rakentamassa. Tekniikan Akateemisten Liitto TEK edeltäjineen 1896–1996.* Helsinki: Tekniikan Akateemisten Liitto TEK, 15–48.

16 One of them was Uolevi Raade, a pro-Finnish engineer activist and the charismatic managing director of the state-owned oil company Neste Oy. Interviews with Aimo Puromäki 30.9.2002 and 22.10.2002.

The judgements over how particular companies' profiles may or may not have been influenced by the dominant languages of their corporate cultures, and whether there existed any preferences or prejudices based on these types of identities, were inevitably subjective, but of consequence.[17] What was less subjective was who yielded power in Strömberg. The two largest owners of Strömberg were the forestry company Kymin Oy – Kymmene Ab and Tampella Oy, a wood processing, heavy engineering and textiles conglomerate. Both were managed by and closely connected to the Swedish speaking business elite. The chairman of Strömberg's board, C. J. Ehnrooth was also Kymin's chairman, a powerful figure whose influence reached beyond the immediate financial and industrial realm controlled by him and other members of his family, such as his brother Göran Ehrnrooth, the director of the Pohjoismaiden Yhdyspankki – Nordisk Föreningsbank. In control of Tampella was another central figure in the Swedish speaking industrial elite, Åke Kihlman.

These men and their associates were together a good match for the figure with whom they discussed the Asea-Strömberg scheme on the Swedish side. While Asea's managing director Curt Nicolin did most of the footwork, the real mover and shaker behind the plan was Marcus Wallenberg, representing the family behind Asea, and many other Swedish companies. The Wallenberg family was famous for its banking and manufacturing empire that by the 1960s had cast its net far and wide, but also known for their longstanding interest in Finnish markets and their close relations with the country's political and economic leaders.[18]

The prospect of seeing the Wallenberg's and Finland's Swedish speaking financial interests joining forces in Strömberg was a prospect that did not find opponents wanting on the Finnish side. On the same day in December 1962 that Nicolin sought to dispel the misgivings aroused by the Asea-Strömberg talks in a crowded and heated meeting in Helsinki, a group of managing directors of five large state-owned companies organized a press conference where they took a strong stand against the plan.[19] Other Finnish business leaders were also outspoken in their criticism, such as the personification of Finnish forestry industry captains, Juuso Walden of Yhtyneet Paperitehtaat,

17 As Professor Ilmari Hustich, who himself opposed the plan, pointed out in an article in *Hufvudstadsbladet* on 22.4.1963 the 'national feeling that exist – and are of great vitality in Finland – have to be considered as an economic and political reality'.

18 Marcus Wallenberg was particularly close to president Urho Kekkonen. Olsson, Ulf (2001) *Att förvalta sitt pund. Marcus Wallenberg 1899–1982*. Stockholm: Ekerlids förlag, 428–429.

19 The companies were Valmet, Enso-Gutzeit, Outokumpu, Imatran Voima and Neste, all important customers of Strömberg and in the case of Valmet, a minority shareholder.

who would not miss an opportunity to snipe at his domestic competitors and particularly the Swedish speaking Ehrnrooths.[20]

The opposition did not end there. While the Finnish industrialists avoided explicit references to the language question in their criticism of the deal, the press was instantly excited by the prospect of having the behind-the-scenes wrangling of different groupings in the small world of Finnish business out in the open and in the public eye. Newspapers such as the conservative *Uusi Suomi*, the agrarians' *Maakansa* and the communists' mouthpiece *Kansan Uutiset* found themselves in a unified front – a rare sight in itself – opposing the selling of Finland's crown jewels to foreign ownership.[21] And if the issue of language was involved, even better, although perhaps paradoxically if not for the first or last time, the first to notice that the affair touched upon language was the Finnish Swedish language media, which lamented the regression back to the discourse and mood of the 1930s. Editorials and columnists in the Swedish press around the country hoped the debate would instead focus on Finland's industrial and internationalizing future, and the material means of how to get there, instead of reverting to debating points already settled a long ago.[22]

Nevertheless, once out, the language issue could not be avoided. One of the forums where this reversion towards the mood of the pre-war years took place was the organization where Fennoman civil engineers had assembled in the first place to fight the dominance of the Swedish language in the 1890s.[23] Besides a cunning use of the news-hungry press and the trade and professional organisations of Strömberg's staff[24], the opponents of the Asea-Strömberg deal could utilise the profession's national and the most prestigious organisation, the Finnish Association of Engineering Professionals (STS) as a high profile platform from where to launch their attack on the plan.

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20 An observation made by the Swedish ambassador Gösta Engzell in his letter to UD 18.3.1963, UDA.

21 *Maakansa* 13.12.1962. *Uusi Suomi* was at first very critical of the plan, but subsequently in 1963 modified its views and took a neutral position similar to that of *Helsingin Sanomat*, a leading daily. Social democratic newspapers were also opposed to the plan, as was the communists' *Kansan Uutiset*, which also held its critical views all the way until Asea buried its plans. For later views see *Kansan Uutiset* 30.4.1964, 7.5.1964 and 12.5.1964.

22 *Nya Pressen* 10, 12.1962; *Hufvudstadsbladet* 12.12.1962, 18.12.1962, 11.3.1963 and 31.5.1964 in a postmortem of the whole affair.

23 Aunesluoma 2004, 15–48. The Finnish name of the organisation was *Suomen Teknillinen Seura*, but its first name when it was established in 1896 had been *Suomenkielisten Teknikkojen Seura* (subsequently *Suomalaisten Teknikkojen Seura*), denoting the Finnish language based group identity of the members and later also their Finnishness in a broader sense.

24 The Association of Electric Engineers (*Sähköinsinööriliitto*), where a substantial number of Strömberg's technical experts were members, was active in opposing Asea's plans.

By coincidence, STS had scheduled its biannual general meeting for December 1962. Not surprisingly, the agenda was dominated by the Asea-Strömberg case. The Association's board had, remarkably enough, already spoken against the proposed deal, but the general meeting went one step further. It approved a motion condemning 'the transfer of domestic industry into foreign ownership':

> *We do not believe that a solution, that ties an entire company or an industrial sector with a foreign company in a way that terminates that company's independent development path, is a happy one for the country's industry and technology. … We think that it is in the interests of the country that advanced and advancing companies may commit themselves to their independent development work on the long run. The contribution of the Finnish engineer in this work is best utilised only if he at the same time feels that he is, without reservations, advancing the cause of his own country and its industrial development.*[25]

Economic policy-makers, government ministers and industrial leaders followed closely the discussion. To gauge the mood simmering among the professionals, the director general of the Bank of Finland, Klaus Waris, telephoned during the association's debate one of its more luminous participants, Nils Björklund, for his opinion. Björklund, a high flying business executive and a conservative who was otherwise known for his liberal pro-market views, confessed that he, too, was against the plan: 'I think the Swedes are up to what they were already doing in the 1930s. We should turn down the deal', Björklund told Waris, who in turn would be one of the key advisors to the Finnish government, when and if Asea would approach it for its permission to conclude the share swap.[26] As Asea would be increasing its ownership in Strömberg above 20 per cent, Finnish law stipulated it must seek the government's approval.

That the government had the ultimate say in the matter ensured that the affair would sooner or later come onto the national political agenda, and that happened sooner rather than later. Echoes of the professionals' concerns were felt practically in real time in the national parliament, albeit guised in a somewhat different ideological outlook. While the engineers and Strömberg's staff were drafting their statements, the parliament was passing

25 Aunesluoma 2004, 130–131; Archives of Academic Engineers and Architects in Finland (TEK), Helsinki. official record of STS's meeting 2/1962, 14.12.1962, annex 11. For a fuller account of the STS response to the Asea-Strömberg plan see also Aunesluoma 2004, 126–131.

26 Aunesluoma 2004, 130, based on an interview with Nils Björklund 17.5.2000.

the laws required for the government budget for the coming fiscal year 1963. During this procedure a member from the centrist Agrarian League, Atte Pakkanen, with a direct reference to Asea, proposed a resolution condemning the 'subjugation of Finnish industry to the influence of international cartels'. While it was acknowledged that international capital was needed in Finland, the resolution urged the government to follow the situation carefully, and if need be, to 'take such measures by which it can prevent Finnish industry from falling under the influence of international cartels'.[27] The resolution was passed with a demonstratively strong majority, with supporters mainly from the political centre to the left wing parties. While the Swedish language press deplored the character of the discussion in the professional organisations and in the parliament, both debates showed how explosive and politically sensitive the deal between Asea and Strömberg had become.

Technology as a national project

Given that personalities like Nils Björklund, a Swedish speaking member of the business elite, and Atte Pakkanen, a representative of the Agrarian League, both took such a clear stand against the Asea-Strömberg-plan, it was apparent that the hullabaloo was hardly only about language-based identities or language-based nationalism. Also the wordings of the resolution passed in the parliament and the STS's motion suggested that larger issues were at stake.

Sticking to the issue of language seemed increasingly anachronistic, and at best a thin veil for a very material contest over power and position between competing camps of Finnish industry and business. A more likely banner under which to rally the troops, and where the Finnish speaking engineers and their associations joined forces with their Swedish-speaking colleagues, was the cause of Finnish technology. It is hard to see that the debate over Asea-Strömberg would have been quite so intense without the concept of national technology.

At first, the very idea that technology should have a particular nationality, may sound somewhat strange for anyone accustomed to the technologically infused, interconnected and interdependent world of the 2000s. Technologies are developed and accumulated, shared and owned, like capital, but they bear no passports and have no national colours on them. For a very long time it indeed seemed to be so, that technology would not have a nationality, at least

27 As reported in Engzell to UD 18.3.1963, UDA.

a Finnish one.[28] This view, however, was challenged after the Second World War, when a number of technological innovations appeared, first in small scale, bearing the hall-mark 'made in Finland'. Small innovations in existing technologies or an adept application of them were conjoined by the fruits of the innovation and development work that was conducted in the relatively small, but expanding laboratories and research departments of Finnish companies and in publicly financed institutes and research centres.

National technology became synonymous with the idea of national innovation competence, and the skills and knowledge required for spontaneous and self-directed technological development and change. Only with this kind of competence would a nation, its people and its industry and business be able to survive in the global marketplace of the future.[29] As has been extensively researched by Petri Paju, this project of developing 'Ilmarinen's Finland' was a large scale effort to build up Finland's own scientific and technological base, which among other things was directed into computer construction.[30] In all, 'Ilmarinen's Finland', a direct reference made by professor Erkki Laurila in 1954 to the national epic Kalevala and its magical artefact Sampo, was one of the big post-war national projects which connected actors from the public to the private sectors and created an institutional frame, from where subsequent steps were taken to create 'Technology Finland'.[31]

Strömberg was one of the companies that were producing these innovations and a carrier of the national project. In the eyes of young engineers seeking employment in a cutting edge firm, Strömberg came second only to the other flag bearer of Finnish technology, the electronics division of the Finnish Cable Works, today known as Nokia. However, these small but growing national champions were important not only to recently trained experts, but also to a bigger group of stakeholders who were interested in the autonomous capacity of these Finnish technology companies to develop and provide the highly specialized and advanced goods needed in their various investments projects.

28 On the short and thin historical roots of technology development in Finland see Michelsen, Karl- Erik (1999) *Viides sääty. Insinöörit suomalaisessa yhteiskunnassa*. Helsinki: Suomen Historiallinen Seura & Tekniikan Akateemiset.

29 It is useful to notice that the term 'competitiveness' was explicitly and frequently used in the Asea-Strömberg discussion as well as the yet novel term 'European integration', but characteristically on the side of the proponents of the deal.

30 Paju, Petri (2008) *"Ilmarisen Suomi" ja sen tekijät. Matematiikkakomitea ja tietokoneen rakentaminen kansallisena kysymyksenä 1950-luvulla*. Turku: Turun yliopisto; Paju, Petri (2010) 'Building "Ilmarinen's Finland": Computer Construction as a National Project in the 1950s", *Tekniikan Waiheita*, Vol 28, Issue 2, 56–65.

31 Paju 2008, Paju 2010, passim.

The electrification of Finland had been one of the investment projects where Strömberg had been an important provider of goods for the electric power providers, which in Finland's case were utilities mostly owned by the municipalities and cities. Soon after the big state-owned companies had entered the debate on the opposition's side, the electric utilities did the same. With the managing director of the biggest of them, Unto Rytkönen from the Helsinki electric works as their ringleader, the electric utilities voiced their concern over the consequences of the Asea-Strömberg deal for Finland's technological development.[32] The public appearance of Rytkönen and other Finnish business leaders as opponents of the plan made the Swedish Ambassador Gösta Engzell burst in frustration: 'It is outright incredible how these directors of the state-owned companies are allowed to sabotage the proposed cooperation. Their various emotional outlooks should not be so determining. Most of them are sensible and intelligent, but some of these directors are almost fanatic in their struggle against Swedish industry in Finland', Engzell wrote in a report to Stockholm in March 1963.[33]

It bears witness to how remarkably strong and embedded the 'Ilmarinen's Finland' -project had become, that so many saw the threat to Strömberg's independence also as a threat to the prospects of Finland's future as a technologically advanced nation. As *Uusi Suomi* wrote in December 1962, the willingness of Strömberg's owners to throw in their lot with Asea showed that:

> *We have not quite yet given up worshipping 'foreign pictures'. The belief in our own possibilities has not been that strong. Yet our Finnish electrical industry is acknowledged to have achieved a high level of development and our engineering skills do not pale in international comparison. Now when international trade is increasingly liberalized, we need to have more of a sense of self-rule. It is about time to give up the colonial mentality.*[34]

The idea that Finland would need to have its own national technological and scientific achievements and capacities as the means with which to master its modernisation, came very close to contemporary discussions elsewhere in Europe. Just as with larger European countries from France to the United Kingdom, it was as if Finland's nationhood suddenly came to be defined by

32 *Hufvudstadsbladet* 18.12.1962.

33 Engzell to UD 18.3.1963, UDA.

34 *Uusi Suomi* 6.12.1962.

its technological and industrial capacity. The concept of Finnish technology, skills, knowledge and industry became the focus for matters of language, the Finnish nation and its capability of mastering its own societal and economic transformation towards the modern era and where they became fused into a political programme, with its first mission to save one company from being sucked into the whirlwind of European integration and internationalisation. This was the mixture that eventually derailed the Asea-Strömberg project irrespective of what the Wallenbergs or Strömberg's owners would have wanted to do with their property, and whether or not their plans were sound for their businesses or even for their nations' technological futures.

Integration, globalisation and the national Us

By the beginning of 1963, it was clear where the battle lines were drawn in the Asea-Strömberg case, and what the arguments were either for or against the deal. A broad and diverse front had emerged opposing the plan. It comprised of engineers and other professionals, business leaders especially from the state-owned companies and companies not belonging to the inner circle of Finland's Swedish speaking financial and business community, publicly owned utilities, university professors and other commentators, politicians from the agrarian centre to the left wing parties and finally of newspapers around the country. For all their different motivations and interests, they found a unifying tune in the advocacy of Finnish technology and the autonomous prospects of its further development.

In retrospect, we can see that as soon as the public debate of the Asea-Strömberg alliance had begun, the plan had little chance of success. The opposition was able to set the parameters of the debate around the concepts of Finland's self-determination and its future as a modern, industrial and technologically advanced nation. After the first salvoes were shot, the debate was no longer so much about Strömberg; it was about Finland and the meaning of Finnishness in the modern era. For some observers and commentators, the types of 'demonstrations of national pride' the whole affair brought into light, were unsettling. Kauppalehti, a business daily, wrote how Asea's approach had done a disservice to the important need to attract more international capital and investments to Finland. 'In a spirit of "blind nationalism" one was throwing "the baby out with the bathwater".'[35]

35 *Kauppalehti* 10.12.1962.

Marcus Wallenberg's and Curt Nicolin's frequent visits to Finland in the months following the disclosure of the talks, and discussions with key decision-makers and the wider public, were to no avail. Asea needed the government's approval for the deal, and as the then Agrarian minority government made it clear from the beginning, it had neither the political strength nor the internal willpower to give its consent to the deal. The public uproar was just too massive, too broadly based, and it had already reached the parliament. In private, ministers were positive, and practically all their advisors from the powerful central bank chief Klaus Waris down to individual civil servants, approved the deal and thought it an important step for Strömberg to survive amidst the toughening international competition.

Neither would the fact that even the all-powerful president of the republic, Urho Kekkonen, supported the plan could save it. In his regular discussions with his friend 'Dodde', Marcus Wallenberg, a close and trusted talking companion, the president wished that the opposition would somehow be won over. But on the other hand, if Asea persisted with its plans, the government might have to say no. That would be good neither for Asea nor for Finland's international image, and ought to be avoided. However, in the event that the government said yes, it would risk a vote of no confidence in the parliament. In the end, and after having explored all the avenues, Asea backed down in the spring 1964 and withdrew its application to receive the government's blessing to increase its ownership in Strömberg above the 20 per cent limit.

As it happened, the plan was buried, but not forever. Strömberg's engineers had known in the 1940s to wait for Asea's return one day. And so it did, and in 1986 the deal was closed, preceding an even larger corporate merger between the newly founded Asea-Strömberg and the Swiss BBC, creating in 1987 what today is known as ABB.[36] Many other cross-border mergers followed the failed attempt in 1962–64, and the Wallenbergs and their trusted Finnish counterparts were key players in them. In 1968 a Finnish family business, Kone Oy, successfully merged its elevator-business with that of Asea with the help and midwifery of Urho Kekkonen himself. From the success of that transaction and also the later and happier mergers crossing the Gulf of Bothnia, it appeared that a lesson had been learned from what had taken place in the early 1960s.

What should have been an ordinary business transaction between two privately owned companies, had all of a sudden become an issue of national proportions. The forces that the Wallenbergs, Strömberg's owners and other

36 Barham, Kevin & Heimer, Claudia (1998) *ABB. The Dancing Giant. Creating the Globally Connected Corporation*. London: Financial Times Pitman Publishing.

Finnish proponents of the plan encountered were powerful and able to mobilise and excite political activism across a broad, deep and heterogeneous front. What they encountered was the paradox of globalisation that Pauli Kettunen has identified in his work on the relationship of globalisation with nationalism.

As Pauli Kettunen has pointed out in his elaboration of the paradoxes of globalisation, the encounter of national polities with the globalisation process leads to the formation and the articulation of new types and discourses of nationalism. When the international or the global are perceived as a challenge to local entities, it results in a need to conceptualise national institutions, identities and the society's dynamics in a new way. Instead of removing nationalism or the framing of society's functions with nationalistic concepts from the agenda, the global reconstructs it.[37]

That is what happened in December 1962. Finnish society defined and understood the transfer of capital and skills across national borders in terms typical of later integration and globalisation debates. The argumentation in the Asea-Strömberg affair was carried out in distinctly nationalist terms and vocabulary. Strömberg, previously just another company among many, was portrayed as a national champion, the seedbed of Finnish engineering excellence, Finnish work and the maker of Finland's technological future. Finnish technology and engineering skills were considered not only the property of the company, but a part and parcel of the Finnish nation. Technological development and industrial modernization were a national project, which found its mirror image in the competing, more advanced and potentially threatening Swedish modernization project.

The fate and the debate about Asea-Strömberg in 1962–64 showed how nationalist vocabulary transcended the accustomed traditional sphere and its bounds, and how it entered the modern era. The concepts *Finnish technological skills* and *Finnish industrial prowess* were crucial: the challenges of economic internationalization and globalization awoke a strong feeling of Finnishness not only in terms of identity, but in industrially manufactured artefacts, in the Finnishness of technological skills, and by and large in the material means of modernization. The stage and parameters were set for several other rounds of similar debates, in different historical circumstances and with quite different outcomes, but in contexts that bore a remarkable similarity to the early 1960s.

37 Kettunen, Pauli (2008) *Globalisaatio ja kansallinen me. Kansallisen katseen historiallinen kritiikki*. Tampere: Vastapaino.

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WORK AND WELFARE
A comparison of Swedish and British shipbuilding industry in the context of economic downturn

STEVEN GASCOIGNE AND NOEL WHITESIDE

Introduction

During the final decades of the twentieth century, western European countries found their industries increasingly challenged by developing economies, notably in the Far East. This competition forced a process of change. This chapter will examine policies and strategies of industrial restructuring within the shipbuilding sectors of Sweden and Britain. Both countries faced global competition which proved ultimately insurmountable; however, prior to total collapse new initiatives aimed at efficiency gains had sought to reassert national competitiveness. Shipbuilding was a well-established industry in both countries and in both cases governments took an active interest in securing its future viability. Although neither was ultimately successful, the comparison illustrates the different strategies developed in each case, which reflect very different traditions of management, industrial relations and the state's role in promoting economic development.

According to Esping Andersen[1], Britain and Sweden belong to different welfare 'regimes', the social rights of 'de-commodified' citizens being a key factor determining classification. Britain's liberal inheritance discouraged state intervention in market activities: welfare support remained confined to rescuing labour market casualties. In contrast, the Swedish welfare system has been praised for the support it offers to all citizens, whether labour market active ('commodified') or not. The case studies presented here throw this distinction into question: they demonstrate how initiatives developed both in Gothenburg and on the Clyde sought to avoid mass labour market exit by sidestepping established welfare institutions, to ensure continuing employment for as many potentially redundant workers as possible. Hence, this study argues that both examples promoted continuing commodification,

1 Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism*. Cambridge: Polity Press.

reinforcing the norm of waged work as proper for both Swedish and British adult male citizens.

In 1968 a research team from the Glasgow shipbuilding consortium Upper Clyde Shipbuilders (UCS) visited a number of Swedish yards with the aim of applying what they hoped to learn about industrial relations at some of the world's most productive shipyards[2] to the ailing Clyde shipyards[3]. A decade later Swedish shipbuilding was in terminal decline and a novel project was forged to manage uncertainty using those same good industrial relations. Remarkably, had the UCS team looked back just three years they would have seen a similar project created under similar conditions of uncertainty on the Clyde that focused upon promoting and sustaining good industrial relations.

Separated by a decade and a half, Fairfields Shipyard on the Clyde in Glasgow and Götaverken Shipyard on the Göta in Göteborg were both sites of radical experiments that sought to reinforce waged work norms by removing uncertainty and by avoiding redundancies and unemployment. The state played a central role in both experiments; however official influence was limited by local autonomy coupled to and extended by workers' participation. Crucially, rapid decline within the shipbuilding sector did not harden attitudes; in fact, compromises on the part of all concerned characterised both experiments. Although each project was quite distinct and there's no evidence that either learned from the other, there are similarities between the two - not least the state's central role in both creating and aborting the projects and the way in which success was presaged on a revival in market demand.

Managing redundancy as shipbuilding faces decline

By the mid-1960s shipbuilding on the Clyde was in terminal decline, eight yards closed on the Upper Clyde between June 1961 and January 1965, shedding more than 8000 workers on the south bank alone and on the 15th October, 1965, Fairfields Shipyard announced it also faced bankruptcy. The announcement was surprising as the yard had an order book worth £32 million and was in the middle of a £5 million modernisation scheme. Indeed, Fairfields was considered to be the most modern and efficient yard on the Clyde. A campaign to keep the yard open began immediately,

2 Hedin, G. (1995) *Svenska Varv*: Världsledande. Tre Böcker Förlag AB, Göteborg.

3 Upper clyde shipbuilders (1968) *Visit of Joint Management*/Shop Steward Party to Swedish Shipyards, John Cossar, Glasgow.

organised by shop stewards. Lobbying of local Members of Parliament and government ministers was coupled with the generation of local support among industrialists, influential notables and in the media. The Minister for Economic Affairs, George Brown, would only commit the Labour government to a £1 million guarantee to secure continued operations until the *Geddes Committee,* which was created in 1966 to consider how British shipbuilding could be made more competitive, reported the following year.[4] A general sense of optimism prevailed regarding this report, especially as forecasts of rising demand would advantage a rationalised industry. However, £1 million was not enough to continue operations beyond six weeks and the Labour government, conscious of its precarious parliamentary position, was not able to nationalise the yard.

The intervention of a local businessman, Iain Stewart, transformed what critics had called 'creeping nationalisation' into a radical project to transform working practices in the shipbuilding industry. Stewart had worked with the Glasgow Corporation to create jobs for workers made redundant at the nearby Stephens Yard. His vision entailed every worker having two trades so that, during slack times, all could be redeployed elsewhere. When demand picked up, a skilled workforce would be available to meet requirements. As, when a ship was completed, unemployment no longer threatened, the yard could become more productive as workers would no longer have a financial interest in prolonging the time it took to build a ship. Fairfields gave Stewart an opportunity to put this vision into practice. He outlined this idea in a letter to George Brown:

> *In my view the situation presents a heaven sent opportunity to expose the deep problems of the industry and grasp the nettle of overmanning, demarcation and management problems. […] if the government would be prepared to back an experimental project […] I would undertake to produce a profit on the Fairfields balance sheet, certainly within five years and probably within three.*[5]

Stewart set about raising money to buy Fairfields, reciting the mantra of industrial change. Local business leaders were persuaded to invest money in a project that promised to redefine relations between management and labour. Stewart also convinced trade unions to invest in the yard using money from

4 The findings indicated that British ships were uncompetitive; the industry was inefficient and prone to industrial action, and ships took longer to produce than those made by overseas competitors.

5 Cited in Paulden, S. & Hawkins, B. (1969) W*hatever Happened at Fairfields?* London: Gower Press, 18–19.

their accumulated funds, a unique achievement. In total five trade unions[6] invested in Fairfields and in doing so they agreed to (and recommended that their members also agree to) new employment conditions. Firstly Fairfields would be 'isolated' from all other firms insofar as industrial conflict was concerned, strikes would be eliminated as would go-slows, overtime bans and working to rule. Furthermore, job demarcation must be abolished: there must be free movement between jobs irrespective of skill. In return, Stewart promised retraining to remove the threat of unemployment, union representation on the Board of Directors and regular, direct communication. At a mass meeting held on 27th December, 1965, the workers agreed to these conditions.[7]

Ten years later in Göteborg, the Swedish shipbuilding industry faced a similar, possibly faster, decline. In 1969, Götaverken was saved from bankruptcy by government. In 1975, the nearby Eriksberg Yard faced bankruptcy and in 1976 it was the turn of Götaverken again. The government intervened in both instances, Eriksberg was merged with Götaverken and by 1979 Eriksberg was closed. New orders had stopped arriving in 1974 and the backlog of existing orders was completed in 1977. The new Bourgeois government which had defeated the Social Democrats in the 1976 election decided to nationalise the Swedish shipbuilding industry and created the umbrella group 'Svenska Varv'. As part of the scheme, the government announced a round of redundancies including 5,500 in Göteborg.

On the 18th October, 1978, the Bourgeois coalition government headed by Thorbjörn Fälldin resigned over the nuclear energy question and was replaced by a Liberal minority administration headed by Ola Ullsten. With this change of government came a change of industry minister and a change of policy towards the shipbuilding crisis. A new bill[8] presented in the autumn of 1978 by Erik Huss would follow the 'cheese cutter' or 'salami' principle: that is, equal sacrifices at all the nationalised yards within Svenska Varv. The bill was heavily criticised by the opposition Social Democrats who presented an alternative in

6 The Amalgamated Engineering Union, the Amalgamated Society of Woodworkers, the Clerical and Administrative Workers' Union, the National Union of General and Municipal Workers, and finally the Electrical Trades Union had a debenture holding.

7 Paulden & Hawkins 1969

8 Riksdag (1978/1979:49) Prop. 1978/79:49. Riksdag, Stockholm. p.49

the form of a motion[9] that "aim[ed] at evolution instead of liquidation"[10]. The key part of this motion was a two year employment guarantee:

> *It is thus our understanding that the very large employment problem in the affected areas can only be avoided if the labour surplus within the shipyards is gradually minimised over a longer period. We feel therefore that all those present within the shipyards at the four large shipbuilding areas shall be guaranteed employment until the end of 1980. This respite must be utilised for strong measures.*[11]

With the support of some Liberal politicians the Social Democrats were able to modify Huss' proposition[12] to include the employment guarantee and also the creation of a special company to employ the pool of redundant workers:

> *According to our opinion a special organisation, separate from current production should be formed at the shipyards. This organisation should absorb the personnel that become redundant through capacity reduction and the rationalisation process.*[13]

The two year employment guarantee and the special organisation to pool the workers formed the core of the Social Democrats' motion that aimed to "accomplish the proposed adjustments in socially acceptable forms"[14]. The decision by Svenska Varv to appoint Leif Molinder[15] to the directorship of this new organisation was crucial to its formation. Molinder had worked on the regeneration of another Göteborg shipyard and the idea of extending the principles learned there into a general model for future industrial management

9 Riksdag (1978/1979:141) Motion 1978/1979:141 av Olof Palme m.fl. med anledning av propositionen 1978/1979:49 om vissa varvsfrågor. Riksdag, Stockholm. p.141

10 Ibid., 3.

11 Ibid., 3–4.

12 Cited in Stråth, B. (1987) *The Politics of De-industrialisation: the contraction of the West European shipbuilding industry*. London: Croom Helm, 87.

13 Riksdag Mot. 1978/1979: 4

14 Ibid., 3.

15 Molinder had worked as personnel director for Götaverken (1963–1967), production director for Lindholmen Yard (1967–1970), personnel director for Eriksberg (1970–1978) including Project Lindholmen and then P80 (Molinder, 1989:7). He later gained a reputation for closing down yards effectively; after P80 was wound up he successfully closed down the Landskrona yard with only 1% of the workforce experiencing long-term difficulties and later oversaw the closure of the Uddevalla yard and Kockums in Malmö (Lawrence, P / Spybey, T (1986) Management And Society In Sweden. Routledge & Keegan Paul, London., p.38).

had been discussed internally for some time. With the advent of this project, the ground appeared fertile for the seeds of that work to take root. Here, then, was an opportunity to apply those principles: collaborative research, training and production within the two year employment guarantee.[16] The terms had been set out by Svenska Varv:

> *Capacity reduction must happen in such a way that the yards, when the adjustment process is accomplished, have a personnel structure that renders an effective enterprise within all the divisions. So as to reach this requirement the shipyards and the unions will agree on such forms of personnel reduction that the new situation demands.*[17]

The criteria for selection aimed to remove the least efficient members of the workforce. The three main factors for being selected for transferral to Project 80were old age, short employment service and high absenteeism.[18] These criteria abandoned the last-in, first-out principle as it would clash with the Riksdag demands for an effective and efficient enterprise. The nature of shipbuilding in Göteborg placed a premium on certain trades (welding and plating). As these workers were in high demand, they would often change firms to secure better pay or working conditions. In consequence, the most sought after workers were those with the shortest service history and therefore liable to be the first in line for redundancy. The last-in, first-out principle thus contravened the demand for efficiency. Its application would have removed so many platers and welders that the shipyards would not have been able to function.[19] Selection was followed by an invitation to join the special organisation; there was no compulsion to do so, yet out of a total 1814 workers only 26 declined.[20] Whereas at Fairfields a show of hands had secured the workers' cooperation, here a personal invitation achieved the same result and the workers transferred in the summer of 1979.

16 Molinder, L. (22/05/1979) Letter to Zetterström, R & Kadefors, R. [Gothenburg Regional Archive: Lindholmen Utveckling AB, Projekt 80 AB, F6AII].

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19 Interview with former Social Democrat Politician (10/12/08)

20 Projekt 80 AB (1982) Slutrapport. [Gothenburg Regional Archive: Lindholmen Utveckling AB, Projekt 80 AB, F6AII].

Implementing new strategies

Once Fairfields was under new management and the workers and unions had agreed to full cooperation, the task of reconstruction started. Crucial here was improving communication both top-down and bottom-up, thereby removing the 'grapevine' process by which workers came to learn of developments via local shopkeepers who had served the wives of management or by reading of developments in the evening newspaper. This process also worked in reverse: managers heard of worker discontent from newspaper reporters, tipped off by local shopkeepers that workers were massing outside the gates.[21] This was replaced by an in-house magazine, Fairfield News, priced very cheaply and read by 70 per cent of the workforce. Furthermore, unions were given seats on the board of directors and a joint central council for union-management communication. A number of mass meetings were held at a local cinema where management would communicate important news and then take part in question and answer sessions. The novelty here was not so much the mass meeting but the fact that management took questions from workers and answered them. External communication was greatly improved and professionalised with the appointment of a full time press officer. One unexpected outcome of this was that press accounts of the Fairfields Experiment were mostly positive and this raised morale among the workers who now saw themselves as involved in a unique experiment that interested the national media.[22] Improved communication was designed to reduce, even eliminate, uncertainty. The new management reasoned that the uncertain nature of work produced practices such as defence of trade demarcation. If unemployment was the consequence of finishing work on a ship, then prolonging that work was a reasonable reaction.

Perhaps the most important mechanism for reducing uncertainty was training. Fairfields, like many other shipyards on the Clyde, suffered from overcapacity estimated at 40–50 per cent.[23] The issue of redundancy was thus bound up with training and its promotion; Iain Stewart hoped to highlight the 'positive aspects' of redundancy:

> *"[T]he Fairfields experiment will establish an indisputable argument for the Government to establish national facilities for re-training and*

21 Paulden & Hawkins 1969.

22 Blanford, O. (1969) *The Fairfields Experiment*. London: The Industrial Society.

23 Alexander, K.J.W. & Jenkins, C.L. (1970) *Fairfields: A Study of Industrial Change*. London: Cox & Wyman.

> *planned re-employment, which of course is, and has always been as far as I am concerned, the main object in setting up the Fairfields platform.*[24]

Workers would be retrained in order to gain two skills, as reasoned by a senior Fairfields official:

> *When there's no work left for the sheet metal worker, we want to be able to train him as a plater or as a welder where there is a shortage of men. Why can't a man have two trades, so that he can be a steelworker when he's building a ship and then a painter when it needs finishing, instead of two lots of men doing a leap-frog through their lives of work, unemployment, work, unemployment? Then we could have twice as many men building the ship and twice as many painting it, finishing it in half the time with no one unemployed.*[25]

Prior to the experiment, Fairfields had no training facilities. A new training centre was constructed and twelve supervisors were recruited from within the yard and trained as instructors. The apprentice system was modernised; in their first year apprentices would have general craft training before specialising in their chosen trade, this would then give them a base from which to be retrained in the future. Smaller training facilities were located throughout the yard for shorter practical courses, typically lasting five days. These were welcomed with enthusiasm by the workers who recognised the value in not only furthering their knowledge of their own trade but also in learning a new trade. Thus the joint reforms of communication and training both worked towards removing uncertainty, they aimed toward re-casting redundancy in a positive light and ultimately they encouraged higher productivity.

At Götaverken the aim of higher productivity involved removing a section of the workforce and it was then this 'less efficient' element that formed the experiment's cohort. Once transferred out of the workforce the experiment aimed to provide personal solutions for each worker based around education and intensive job search activities and facilitated by multiple state agencies.[26] This was achieved systematically by following procedures that recognised four

24 Ibid., 175–176.

25 Cited in Paulden & Hawkins, 1969, 122.

26 Projekt 80 AB (1979a) The Purposes of Projekt 80 AB. [Gothenburg Regional Archive: Lindholmen Utveckling AB, Projekt 80 AB, F6AII].

alternatives, all of which ultimately aimed at the individual finding work on the open market and differed according to the individual's labour market aptitudes.

An established, fully-equipped training centre, originally designed to train platers and welders for the ship-repair industry, was utilised by the project. The centre had the capacity to train 250 personnel, there were 30 instructors and 4000 square meters of space at its disposal, again reflecting its ship repair focus. An additional 64 places at local colleges had been hired for extramural courses. Apart from education, workers took part in production activities; the aim here was to occupy workers with 'meaningful' work until they found new, permanent employment. Initially the maximum capacity was for 40 people per week, but this increased over the life of the project to a maximum number of around 600. The department had the redundant Eriksberg shipyard at its disposal with designated areas for both blue collar and white collar employees. This relatively modern shipyard could be adapted to a variety of different production activities designed to improve skills.

The local employment agency organised job search and dedicated officials worked full time within the project interviewing workers and exploring future options. This aspect was fully integrated into education, training and production activities to create a tailor-made package for each worker to secure labour market re-integration. The focus on individual solutions was achieved systematically by following procedures that allowed for four alternatives, all of which ultimately aimed at the individual finding work on the open market. A special procedure was also drawn up for more intensive actions should a worker prove to be especially difficult to place. Essentially the procedures codified various possibilities within the framework of the project with the four options, ranked by order of preference.

Under *option one*, the most desirable outcome, the individual found work on the open market immediately after a planning interview. The desirability of this option lay in the speed with which the individual found a new job, thus minimising both expenditure and resources; this was possible when a vacancy could be found that was compatible with the individual's skills and desires. Under *option two* the individual was transferred to the production department after the first planning interview, either to update rusty skills, or because no job vacancy fitted that person's capabilities and therefore the applicant was to be kept busy until a suitable job was available. *Option three* took the worker directly to the education department after the initial planning meeting because that person's skills and knowledge were incompatible with the current labour market and the planning meeting decided to retrain within an expanding industrial sector.

Option four was the least desirable and was reserved for those hard to place. The special procedure drawn up for problematic workers involved an 'intensified labour exchange service'[27], using local experts, who aimed to find the individual permanent work. Failing this, the individual would take training courses or temporary work within the project after which the labour exchange service expanded its search nationwide. Those remaining were offered early retirement, a pension, rehabilitation, vocational training and what became known as 'the other solution'. This was based on the argument that 'continued occupation is a better alternative to an early retirement pension for the persons concerned as well as for the community' as 'continued work gives self-esteem, chances of being together with friends at the work place and opportunities for medical care'[28]. The idea was to occupy the individual with work that achieved, as far as possible, maximum results for the costs involved.

Comparisons and conclusions

Participation was central to success in both Glasgow and Gothenburg. At Fairfields participation took four forms: first, the mass meetings included question and answer sessions, allowing management to 'take the pulse'[29] of the workforce by speaking directly to individual workers. Second, briefing groups were set up to communicate policy decisions downwards and then feedback reactions upwards, typically within the space of a few hours. Third, advisory committees were set up for each executive manager; unions joined management on these committees. Finally, union shop stewards were represented at the executive management meetings and participated in policy discussions. One negative outcome of this enhanced role for trade unions was a diminished role for foremen, who had previously seen themselves as intermediaries between workers and management and whose morale subsequently slumped.[30]

Participation at Götaverken was channelled solely through the trade unions; this benefitted some groups more than others. Elderly workers, as long term union members, were well represented and won key concessions from management over early retirement. Conversely, those with alcohol abuse

27 Projekt 80 AB (1979b) Model for intense handling of problems arising for personnel being discharged. [Gothenburg Regional Archive: Lindholmen Utveckling AB, Projekt 80 AB, F6AII].

28 Ibid.

29 Alexander, K.J.W. (1973) 'Shipbuilding'. In Balfour, C. (ed.) *Participation in Industry*. London: Croom Helm.

30 Alexander & Jenkins 1970.

issues were less well regarded and management offered no special concessions to this group. Other vulnerable workers were similarly neglected; their specific needs marginalised them as they needed special workshops to accommodate them or they spent periods of time in hospitals or clinics. As their needs varied they could not articulate common demands and did not have the same access to the union representatives as other workers.

In both these projects, time ultimately secured their demise. At Fairfields the project lasted twenty-seven months, at which point the shipyard was incorporated within the new consortium of Upper Clyde Shipbuilders. Following the recommendations of the Geddes Report, national policy determined that individual yards should be merged into 'super-groupings'. With the merger of Fairfields into UCS the dynamic management team disappeared and, although aspects of the design were incorporated into UCS[31], all studies agree that the project was effectively dead.[32] At Götaverken the project had never been destined to last more than two years; however as time ran out and management realised a large group of residual workers had not found work, policy became increasingly coercive. The outcome was either pressure, under threat of benefit reductions, to find work or officials arbitrarily found jobs for those who were left. In both cases, the job search process ceased to involve participation between agency and client as market forces exerted their familiar role in determining outcomes.

At Fairfields the experiment had attempted to rationalise workers into the shipyard whereas at Götaverken the project had rationalised workers out of the yard. Both yards had suffered from chronic overcapacity. Götaverken solved this by cutting labour. Prior to market collapse, productivity there had been the highest in the world. It was hoped that by shedding labour that position could be restored. Fairfields on the other hand rationalised labour management in order to increase productivity. In both projects, whether men were being rationalised in or out, the goal was the elimination of uncertainty and continued engagement of all within the labour market. Uncertainty over the future prompted trade unions in both yards to develop practices designed to avoid labour market exit. In this sense compromises by interested parties are all the more remarkable: the voluntary abandoning of the strike weapon and job demarcation at Fairfields and the voluntary abandoning of the last-in, first-out principle at Götaverken.

31 Blanford 1969.

32 Alexander & Jenkins 1970, Paulden & Hawkins 1969.

The true novelty at Fairfields was union funding which complemented funds from the state and individual entrepreneurs. Traditionally British unions had been hesitant to involve themselves in any corporatist arrangements, yet here involvement meant not only a seat on the board of directors but also a financial commitment. This actively encouraged more private investment from those previously sceptical that any reform could happen in an industry characterised by labour conflict. Organised labour had made significant compromises and the fact that more private individuals then invested shows that these concessions were taken seriously. There is no comparative novelty at Götaverken where corporatist solutions were the norm. Indeed, Götaverken was seen as a model yard in terms of industrial relations [33] and it is significant that, after the collapse of the Fairfields project, an investigative team from UCS visited Götaverken to observe such industrial relations in action

The role of the state in both these projects should be noted. These were both local projects featuring local compromises from local actors where state policy played two very different roles. In the example of Götaverken, state institutions actively encouraged labour market participation, the project itself – the product of parliamentary legislation - facilitated this process whilst guaranteeing security between one job and the next. Esping-Andersen's[34] oft cited concept of 'decommodifaction' is missing here; rather the object was to sustain worker commodification as the project bridged the gap between labour market exit and subsequent re-entry.[35] In the case of Fairfields we can also observe a process of continual commodification, although here state institutions were missing. The shipyard itself sought to remove insecurity by promoting a training policy to give every worker two trades. The project rested on liberal, voluntarist foundations. In both Fairfields and Götaverken, waged work was strengthened through a process which sought to rationalise labour market entry and exit: however, in the UK a liberal state offered no legislative support for the Fairfields initiative – whereas in Götaverken, the project was backed by backed by government and run by public officials. Hence, the objectives of both initiatives retain similarity - as, Pauli Kettunen's analysis demonstrates (in reference to Nordic experience):

> *Social and labour market policies, while creating non-market supportive institutions for preserving labour power when it is not traded in the*

33 Stråth 1987.

34 Esping-Andersen 1990.

35 Or total exit in the case of early retirement .

> *labour market, were a liberating life course from the necessities of selling labour power at any conditions and, thus, making labour more like a real commodity.*[36]

Yet the role played by official institutions in each case was quite different and illustrates the real difference between a liberal and a social democratic polity. While both strengthened labour as a commodity by removing market uncertainty, in the Swedish case public officials supervised operations while at Fairfields joint bargaining between unions and management were charged with putting the experiment into practice.

In both cases, however, guarantees of security were limited and in both cases time dictated the end of the experiment. At Götaverken the project was only ever endowed with a two year lifespan at the end of which it had to be wound up. At Fairfields the project was allowed to continue until the outcome of the Geddes Report which absorbed the initiative into the UCS consortium, which effectively ended the experiment. A market solution was the long term goal in both cases: at Götaverken work on the open market was the ideal solution for workers and at Fairfields the goal of having two trades aimed at a seamless exit-entry process during a period of contraction. The removal of uncertainty, then, with the central goal of continuing commodification, side stepped traditional support institutions to strengthen the worker as a commodity who ultimately fell victim to market forces over the long run.

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THE 1890–1910 CRISIS OF AUSTRALIAN CAPITALISM AND THE SOCIAL DEMOCRATIC RESPONSE

Was the Australian model a pioneering regime of Social Democratic Welfare Capitalist regulation?

CHRISTOPHER LLOYD

State experiments in Australia: the historic compromise of the early 20th century

In 1890–94 Australia was convulsed by a crisis of historic proportions that marked a watershed in the development of the economy, society, culture, and polity. The preceding 40 years had been ones of great prosperity, wealth advancement, and democratization, sparked in 1851 by the great and long-lasting gold rush. By the late 1880s Australia was believed by boosters to be a 'working man's paradise' and a triumphant vindication of the egalitarian and democratic rejection of British social class and privilege. This successful settler capitalist country had ridden the great Victorian commodities boom and succeeded in overcoming the legacy of its prison foundation and the 'tyranny of distance' to become the richest society in the world. The capitalist model that had developed, however, was far from the *laissez faire* of British theory and policy, combining instead industrial protection in most parts of the country with a significant degree of state ownership of economic enterprises. What was later called 'colonial socialism'[1] was the more or less unquestioned model of a rudimentary developmental state that rested on the great wealth flowing from raw material exports and the distribution of rents for working-class urban expansion. Indeed, economic development and employment generation had been the chief preoccupation of colonial governments since the 1830s.

In this context, the bursting of the long boom in 1890 and collapse into the first (and very severe) depression in half a century was a transformative

1 Butlin, N. G. (1959) 'Colonial Socialism in Australia: 1860–1900'. In Aitken, H. G. J. (ed.) *The State and Economic Growth*. New York: Social Science Research Council.

event. The consequences of the crisis years, lasting for most of a decade, were profound. The main response by the political process, however, was not on the whole to question the centrality of the state in Australian capitalism but to reinforce it in new, ideologically-based as well as class-based, ways. Social democratic developments emerged that had long-lasting consequences, detectable even unto the 21st century. A 'historic compromise' of labourist-protectionism[2] and other social measures was constructed and reinforced over the following decades that remained central to Australia's political economy until the 1980s.

Looking back from 1902 at the 1890s crisis era, William Pember Reeves, a New Zealand socialistically-minded liberal journalist, lawyer, and government minister, (and later a leading Fabian in Britain and Director of the London School of Economics) wrote in his magnum opus on *State Experiments in Australia and New Zealand* (1902) that the radical movements in Australasia were 'deeply tinged with socialism'. This was not borrowed from German or French socialist thinking, he said, but was cautious and tentative, drawn from English thinking.

> *But though there is no Social Democratic party, there is a good deal of democratic socialism. It is none the less real because it is 'a sort of' socialism, finds expression in acts, and eschews short cuts to a 'new earth which will make the old heaven unnecessary'. … if it be State socialism, it is democratic and not bureaucratic. [pp 68–69]*

> *Governmental as he is, the Labour politician is at heart more of a trade unionist than a conscious socialist, and the middle-class Progressive is still half a Liberal. Ask either of them whether he aims at socialising land and capital, and the odds are that he will reply that he does not trouble his head about such a goal. He certainly does not dream of achieving it by revolution in his own time. He accepts the wages system, rent and interest, private ownership, private enterprise. His business is to obtain tolerable conditions for the masses, and to stand by the small man wherever the small man is not a petty, cutting employer. … M Métin has cleverly summed up the colonial Progressive movement as Le Socialisme sans Doctrines. … When democrats in the colonies repudiate the title of*

2 Lloyd, C. (2002) 'Regime Change in Australian Capitalism: Towards a Historical Political Economy of Regulation', *Australian Economic History Review,* 42, 3, 238–266

> *socialists, it may mean merely that they do not know what experimental socialism is; but it may also mean that they are not Revolutionary Socialists, and truly they are not. [pp 70–71]*[3]

Reeves was in a very good to position to know and write about democratic state socialism in Australasia at the end of the 19th century for he had been a radical minister in New Zealand governments and was responsible for, among other measures, legislating in 1893 for a state-established and regulated centralized industrial dispute settlement system. This was a system that was demanded by radical liberals and working class politicians throughout Australia and New Zealand from the early 1890s as a response to the severe economic and social crisis. The preceding booming economic conditions had enabled considerable working class militancy to flourish. Legal formation of trade unions and membership recruitment in strategic industries – especially mining, pastoralism, land and sea transport – had been very successful and unions had been emboldened in their labourist ideology in the era of high employment and economic development. In addition, industrial protectionism, especially in Victoria, the most industrialized part of the country, encouraged the growth of trade unionism. The onset of the 1890s depression, however, radically altered the labour market and the balance of ideological and political forces. The alliance of state and capital, combined with the desperation of many working people for employment, defeated the unionist demands for maintenance of closed shops, high wages, and reduced working hours. The main lesson drawn by the unionists was electoralism. Universal malehood suffrage had existed throughout Australia since the 1860s and secret ballots since the late 1850s but no working class political movement existed to harness this electoral possibility. Class formation lagged behind the *de jure* liberalization, which had come about through liberal reformers acting in the spirit of Chartism, influenced by nativist egalitarian culture and the lack of aristocratic privilege, and in response to events such as the Eureka rebellion of 1854.[4]

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3 Reeves, William Pember (1902) *State Experiments in Australia and New Zealand, 2 Vols,* London: Grant Richards.

4 Constitutionally and formally, Australasia consisted of a set of British 'colonies' [New South Wales, Victoria, Tasmania, South Australia, Western Australia, New Zealand]. But *de facto* they were independent countries because the various British Acts granting full self-government from 1850 removed all British prerogatives and granted full constitutional autonomy except in the area of foreign policy. These 'colonies' then moved towards unification from the late 1880s and achieved a federation, which New Zealand declined to join, on 1 January 1901. The Australian Constitution Act of the British Parliament in 1900 in effect granted full *de jure* independence.

Working class consciousness and organization developed rapidly in the 1890s and by the 1910s the Australian Labor Party (ALP) had affected an historic alliance of workers, liberals, manufacturers, and farmers that had legislated an accommodation between society and market, mediated by a non-doctrinaire politics of a democratic, socialist, protectionist, and welfarist, nature. Australia thus seems to have produced an early version of what became in the post-1945 decades in northern Europe a more mature and comprehensive state-centred regime of capitalist stabilization, regulation, and development. Can this Australian model be understood as a pioneering version of Social Democratic Welfare Capitalism?[5]

The chief (but not only) instigator of this model, the ALP, was not, as Reeves pointed out, an avowedly socialist party although it contained many avowed socialists, as well as labourists, nationalists, farmers, catholics, unprincipled careerists, and even capitalists. As V Gordon Childe pointed out in 1923[6], this was a rich mixture, and one, moreover, that successfully appealed to a majority of the electorate.[7] Early ALP governments strove with varying degrees of principled conviction to redistribute the wealth of the developing capitalist

5 The term 'Social Democratic Welfare Capitalism' (SDWC) was coined by various thinkers in the past decade or two, see Lloyd, C. (2011) 'The History and Future of Social Democratic Welfare Capitalism: From Modernization to the Spectres of Ultramodernity'. In Kettunen, P. & Petersen, K. (eds) *Beyond Welfare State Models: Transnational Historical Perspectives on Social Policy,* Cheltenham: Edward Elgar, 199–217. Karl Polanyi used similar terminology in *The Great Transformation* (1944), Boston: Beacon Press, and more recently also Hicks, Alexander (1999) *Social Democracy and Welfare Capitalism,* Ithaca: Cornell University Press. Wolfgang Streeck has referred to 'Democratic Capitalism' in his powerful sociological analysis of the evolving interconnection of society and economy: Streeck, W. (2011) 'The Crises of Democratic Capitalism', *New left Review,* 71, Sept-Oct, 5–29, Streeck, W. (2012) 'How to Study Capitalism', *European Journal of Sociology,* 53, 1, 1–28. One advantage of the term SDWC is that it avoids confusion with an American concept of democratic capitalism that usually refers to a liberal/market form of capitalist ideology in which markets are free of state interference but subject to democratic influence via citizen pressure.

6 Childe, V. Gordon (1923) *How Labour Governs: A Study of Workers' Representation in Australia*, Melbourne: Melbourne University Press. Childe (born 1892) was a radical anti-war activist during the Great War, from within the Labor Party, and highly critical of the ALP's lack of socialist thinking and its compromises with capital. His book is an insightful and sober analysis of the Party and still very relevant. Being denied academic and political employment he left Australia and Australian socialist activism in 1922 for an academic career in Britain (having previously studied at Oxford) and became by the 1930s the world's most influential archaeologist, located for most of his career in the University of Edinburgh.

7 The Westminister-style, two-party system, which results from single-member constituencies and was reinforced by the Australian preferential voting system, requires political parties to have majoritarian electoral appeal. In such electoral systems, coalitions are formed before the election and not after it. The ALP implicitly recognised this from an early stage and the corresponding basic tension between party discipline over programme, ideology, and parliamentary voting and the need to appeal to many interests, so well understood by Childe in his insightful 1923 book, was overcome by having a quasi-official place for factions. But this did not prevent three major splits over doctrine and policy in 1916, 1932, and 1955.

economy essentially by trying to guarantee full employment with high wages combined with progressive income taxation from 1915, some welfare measures, and market interventions. But the profitability and management of capital were never threatened and many erstwhile Labor politicians found lucrative capitalist employment and/or became themselves significant capitalists.[8] Indeed, certain branches of capital, especially manufacturing and arable agriculture, were actively supported by Labor governments.

There is a problem, then, of how to characterize and locate within a wider world of social democracy the significance of this early Australian model. Details of the Australian case seem to be little understood and researched in the comparative social democracy/welfare state field. While Australia (along with New Zealand) is included in research on welfare states it is sometimes included in a misconstrued 'Anglo-Saxon' category that somewhat bizarrely includes Australia with UK and USA when their economic, political, and social histories are quite different. The *Varieties of Capitalism* literature (vide Hall and Soskice[9]) has labelled Australia as a Liberal Market Economy and lumped it in with other Anglos such as USA and Canada. This is a very contestable categorization that takes little account of the history and details

8 In recent times former Labor Prime Ministers Hawke and Keating have developed substantial business interests, as have many former Labor state premiers. One of the most interesting examples is that of 'Red Ted' Theodore (b 1884), who in some ways represents an archetypical Labor politician of his era. Son of very poor immigrants (Romanian and Irish), lacking formal education beyond the age of 12, he became a Queensland miner and then militant union organiser and rose to become a Labor member of the Queensland state parliament in 1909, deputy state premier in 1915, and premier in 1919 at age 34. His premiership was marked by substantial increases in government investment in and ownership of productive sectors ('colonial socialism' extended), and extension of labourist-protectionism at the state level. At the same time he vehemently opposed socialists and communists in the Party and tried to have them banned. In 1927 he moved to federal parliament and became a prominent member of the Labor opposition and then deputy Prime Minister and Treasurer after the election of October 1929, a fateful moment to enter government. He was already privately wealthy through investments and close connections with certain businessmen and had a substantial home in an expensive suburb on the shores of Sydney Harbour. As Treasurer he was far-seeing and tried to implement a quasi-Keynesian reflation that was blocked in the Senate and he was forced out for a period over a financial scandal. The consensus is that he was an outstanding financial thinker but a bitter electoral defeat in 1932 (engineered by an opposing Labor Party faction) saw him abandon politics altogether despite the likelihood that he would have become Labor leader and possibly Prime Minister had he returned. His subsequent career embraced gold mining investments, a publishing company, and wartime service as a senior bureaucrat. When he died in 1950 he left a substantial estate of more than half a million pounds. Cain, N. (1990) 'Theodore, Edward Granville (1884–1950)', *Australian Dictionary of Biography, Vol 12*, Melbourne: Melbourne University Press.

9 Hall, Peter & Soskice, David (2001) (eds) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage,* Oxford and New York: Oxford University Press.

of Australia's model, especially with regard to labour market regulation.[10] And 'Anglo-Saxon' is an outdated term, relevant only to describing early medieval England. The term 'Advanced Anglo' has some relevance for categorising the English-speaking OECD countries but which are indeed a varied lot when considered that the group includes New Zealand and the Irish Republic as well as USA. Comparisons of Australia with New Zealand, Canada, Argentina, Uruguay, Chile, and South Africa, make more sense in important respects as all are post-settler, immigrant, societies which developed various degrees of social democratic movements in the early 20th Century but which also had divergent histories in very important respects later.[11]

Australia was not only one of the world's first examples of a concerted attempt to regulate the structure of capitalism through strong state intervention in labour, capital, and commodity markets, but one which has later evolved further away from this general form than some later and more developed examples, thus possibly showing the future for other examples. Nevertheless, it is clear that Australia today still exhibits both significant features of social democracy and a degree of economic and social dynamism and success possibly unmatched in the Western world in recent years including during the current Western recession, which Australia has not experienced.

The chapter will seek to provide a critical analysis of the origins, characteristics, and significance of the 'Australian model' in the late 19th and early 20th Centuries. First we have to examine the background that provided the structural context.

Economic and political history of Australia before the 1890s

After the gold rushes of the 1850s and reinforced by successive natural resource export streams this highly prosperous settler economy had emerged as a peculiar mixture of *laissez faire* and 'colonial socialism' with its development of a rudimentary 'provider state' model out of the foundation as a penal service economy for the British Empire. Colonial governments were invariably focused

10 For a critique see Lloyd, C. & Ramsay, T. (2013) 'From Social Democratic Welfare Capitalism to Regulatory Capitalism? Institutional Transformations of Australia's Labour Regulation Since 1983 in the Light of Theories of Historical Political Economy' [under journal review]

11 cf Lloyd, C. (2013) 'Institutional Patterns of the Settler Societies: Hybrid, Parallel, and Convergent', in Lloyd, C., Metzer, J., and Sutch, R. (eds) *Settler Economies in World History*, Leiden: Brill.

on how to develop the economy through encouraging immigration and staple extraction and providing urban services.[12]

Indeed, the efficient resource-extraction and commercial export economy of the 19th Century needed and generated a large urbanised service sector of finance, land transport, shipping, education, construction, and associated urban services. Australia was not just the richest but the most urbanised country by the late 19th Century. The largest industrial sites that developed in the late 19th Century were mines, government railway workshops, ship building, government construction, and textiles. These sectors, as well as pastoralism, were becoming significantly unionised by the 1870s and 80s, in a context of de facto union legalisation from the 1840s and universal male franchise from the early 1860s.

By the 1860s the initial gold output began to decline (although reviving in the 1890s) and a chief policy preoccupation was of how to generate sufficient employment for the highly urbanised population and immigrant inflow that was dependent upon upstream and downstream economic linkages to the very productive, efficient, but technologically-innovative and labour-shedding, resource export sector (chiefly gold and wool and later silver, base metals, and refrigerated meat from the late 1880s), which was itself highly dependent on world market prices. Like all resource-dependent (blessed or cursed) rich economies at that time (or since), the problem was of how to transfer the commodity rents and profits into a diversified and developed urban economy and society without incurring what would today be called a resource curse effect of excessive rent monopolization, inequality, and government corruption. Thus government policy centred on economic diversification through protection of import-substituting manufacturing in most colonies (except NSW, whose politics was dominated by free trading pastoral and mining interests); and the nascent labour movement concentrated on trade or craft unionism as the means to redistribute the benefits of national wealth into high material living standards, especially for skilled workers. This labourist[13] strategy was

12 Lloyd, C. (2003) 'Economic Policy and Australian State Building: From Labourist-Protectionism to Globalisation'. Teichova, A. & Matis, H. (eds) *Nation, State and the Economy in History,* Cambridge: Cambridge University Press.

13 Labourism refers to the strategy of organised labour concentrating mainly or wholly on wages and conditions of work rather than wider political and social issues. In Australia the constitutional and civil liberties battles had been won to the satisfaction of most workers and liberals. The main issue for Australian organised labour was the right to bargain collectively and to then raise wages, reduce hours, and secure employment. Social welfare and security became intricately linked with employment.

a successful in its own narrow terms whilever the economy delivered full employment, expansion, and surplus wealth for redistribution.[14]

Thus Australia, as with all advanced western capitalist countries, developed a growing workers movement in the second half of the 19th Century. This organized movement took the form exclusively of labour unions based on crafts and trades. This model of organisation grew out of the British legal and socio-economic background of liberalisation and craft guilds. Before the direct formation of a political party by workers, consciously working class voters tended to support social liberals. No self-styled socialist or social democratic party existed before 1890 although there were socialists and even some Marxists.

The crisis of the 1890s and institutional innovation

The severe economic and social crisis of the early 1890s depression, in which occurred a series of bitter and protracted strikes, verging on organised armed conflict in places, and a collapse of almost the entire banking system, shook this 'paradise' to its foundations and became an epochal moment. The defeat of the strikers and of their power to enforce closed shops and collective bargaining, by a combined force of employer associations and state coercive power, in a climate of severe unemployment in 1890–94, motivated unionists and some liberals to believe that the capitalist economy could not be ameliorated by union power alone in the interests of working class prosperity whilever the state was controlled by nakedly capitalist interests. But unlike some other parts of the industrialising world at that time, the only strategy they developed was one of organised political mobilisation for governmental capture via *electoral strength* in the expectation of then using state power for labourist outcomes. The Labor Party wished to capture parliamentary power in order to advance the causes of workers rights, collective bargaining, employment security, and state welfare measures. This programme placed the ALP squarely within the international social democratic / evolutionary socialist movement of the late 19th Century in the sense of its agenda of amelioration of capitalist excesses rather than destruction of capitalism in either the short or long term.

14 Of course protectionism and labourism are themselves forms of rent-seeking. This issue, which became a topic of heated debate in the late 1920s by Brigden, Hancock, and Shann, *inter alia*, (see reference list) was really about the different long-term social and economic consequences of various forms of rent-seeking. As argued below, not all forms of rent-seeking are necessarily socially deleterious.

That is, this was a resolutely reformist rather than revolutionary strategy, with a very limited horizon, led by and controlled by unions who were focused on bargaining over wages and conditions within a liberal democratic society. The prior constitutional liberalization, beginning in 1850, lack of a privilege-defending aristocracy, full malehood suffrage, secret voting, and payment of members of parliament, all contributed to working class militancy being focused by and large on labourist demands and electoralism. Labour unions were hegemonic in organising the working class. No significant space for extra-union political organisations opened in Australia during the long boom of 1860–1890 nor during the bitterness of the class conflict of the 1890s (although the voices of radical and even revolutionary socialists were heard) and no form of unionisation other than craft and trade unions were able to gain a significant foothold in the labour landscape, although significant activities in the early 20th Century by One Big Unionists and the International Workers of the World were influential for a brief period before being bureaucratically and politically defeated by labourist trade unionists. The colonial Labor Parties that were formed in the early 1890s were always the creatures of unions and remain so until this day.

With the formation of Labor Parties in the 1890s there was, then, an immediate sea change in the electoral landscape. In the New South Wales election of 1891 the Labor Party and independent labor candidates together polled 21% of the vote and 22% in 1893. Similar outcomes occurred in the other colonies soon after. Their almost immediate parliamentary influence meant that centralised industrial relations in the form of state institutions for wage setting and/or conciliation and arbitration were legislated in coalition with so-called 'Harmony Liberals'. This liberal ideology centred on the role of the state in providing welfare and justice in the interests of social stability at the same time as protecting the economy and society from harmful external forces of economic, social, ethnic, cultural and geopolitical power. This kind of 'liberal-protectionist interest', which had dominated most Australian states (except NSW) and the early Federal Parliament, was able to form a more or less united Lib-Lab front with Labor against large landed, mining, and foreign industrial interests until 1908. The free trade, *laissez faire*, interest was not able to command majority support, even until the 1980s, always remaining subservient to liberalism and old conservatism within the united anti-Labor coalitions from 1908 until the1980s, when Neo-Liberalism swept out the old protectionist ideology and policies from both Labor and Liberal (Conservative) Parties.

This early and continuing success of the workers movement was one of the world's most advanced in the electoral sense. The world's first working class governments (minority and then majority) were elected in Australia before the First World War.[15] In the 1910 Federal election the ALP scored 50% of the vote. The Fisher Labor governments of 1908–1909 and especially the majority government of 1910–13 were able to legislate more of the Party's social democratic programme including formation of the Commonwealth Bank (a government-owned 'peoples' bank'), maternity allowances, workers accident compensation, land reform, and improvements to invalid and aged pensions. The First World War, however, had a major deleterious effect on the Party, causing a split in 1916 on the issue of conscription for the war. The right wing nationalist (minority) faction of the Party, in favour of conscription, split to form a government with the conservatives, forcing Labor out of office. But the two conscription referenda were lost and Australia remained the only major participant in the war to have an all-volunteer army, which numbered over 400,000 soldiers by 1918. Social and industrial conflict was also greatly engendered by the war involvement and in 1917 a nearly general strike occurred.

Thus from the 1890s period of severe class conflict sprang the ALP, centralised industrial relations regulation, women's suffrage (beginning in 1892 in New Zealand and 1893 in South Australia), Federation of the Australian states, radical-nationalistic culture, and, by the early 20th Century, a new regime of political economy that its designers hoped would 'civilise capitalism' away from the causes of the financial, industrial, and social turmoil and degradation of the 1890s.[16]

Labourist/Protectionism as 'the Australian settlement'

The Court of Conciliation and Arbitration enacted by the Federal Parliament in 1904 was a key component of the Lib-Lab strategy, along with industrial protection, White Australia immigration policy, and social welfare provisions,

15 It is usually reckoned that the first elected working class government in the world was in Queensland in 1899. After Federation the first national Labor Party government was in office for four months in 1904. In 1908 the unofficial Lib-Lab coalition of Alfred Deakin dissolved and Labor took office alone, prompting the centre-right groupings of Protectionists and Free Traders to coalesce under an anti-Labor, Liberal Party banner.

16 Nairn, B. (1989) *Civilising Capitalism: The Beginnings of the Australian Labor Party,* 2nd edition, Melbourne: Melbourne University Press. But see the ironic and insightful discussion of the limitations of this programme in Fitzpatrick, B. (1941) *The British Empire in Australia 1834–1939,* Melbourne: Melbourne University Press, (2nd ed 1949), 265–268.

many tied to employment, to regulate capitalism in the interests of labourism and social harmonisation. In enacting this 'Labourist-Protectionist' regulatory regime of political economy, liberals and labourists believed they were building a working-man's paradise[17] The role of the state as economic and social mediator and protector was, then, a key dynamic in Australian public policy. In the early federal parliaments there was a clear majority in favour of this programme and the consensus continued through most of the 1920s, supported by then by the new Country Party (representing farmers and rural districts who had previously mainly supported Labor) despite the Labor Party being out of office after the split over military conscription in 1916.

Thus the so-called cross-class 'Australian Settlement'[18] that had emerged in the first decade or so of the 20th Century, especially during the time of the Deakin Liberal Government of 1905–08 and Fisher Labor Governments of 1908–09 and 1910–1913, and reinforced in the early 1920s by organized agricultural marketing, was a consensus around labourism, the centralised IR system, manufacturing protection, and organised rather than free markets.[19] But the consensus was far from complete and uncontentious, as revealed by vociferous debates and splits on both sides of politics as the century went on. The Labor Party was internally divided between radical socialists and nationalists, on one hand, and labourists on the other. Nevertheless, the breaking of the consensus and subsequent attempt by the conservative Bruce Government in 1929 to undermine or destroy the industrial arbitration system resulted in his disastrous electoral failure.[20] The 1930s Depression undermined the regime and it might have collapsed but it was restored by the social solidarity and full employment engendered by the anti-fascist war experience and the centrally planned wartime economy, especially with the return of Labor to office in 1941–49. Then in the early post-war years the Chifley Labor government attempted to extend the welfare system and the social democratic strategy in a manner similar to Britain's postwar Attlee Government, including a Keynesian full

17 Lloyd 2002, Lloyd 2003.

18 The idea that there was a cross-class 'settlement' or egalitarian historic compromise around protectionism, collective bargaining, and arbitration in the early 20th Century, which lasted in effect until the 1980s, has been much debated but there is no space to examine that debate here. See Kelly P. (1992) *The End of Certainty: The Story of the 1990s.* Sydney: Allen and Unwin, and Stokes, G. (2004) 'The Australian Settlement and Australian Political Thought', *Australian Journal of Political Science*, 39: 1, 5–22.

19 The full expression of protectionism was later called 'protection all-round' in the 1950s and 60s and most strongly defended by the Country Party.

20 An echo of this occurred in 2007 when the conservative Prime Minister Howard lost an election and his own seat over the issue of de-regulation of the labour market.

employment strategy, a more comprehensive welfare transfer system, public health improvements, tertiary education expansion, and nationalization of the private banks. But the constitutional division of jurisdiction and High Court narrowness prevented implementation of much of this Labor social democratic programme (including a national health scheme *a la* the United Kingdom) before losing office in the 1949 election. Subsequently, despite winning more than 50% of the votes in 1954, the ALP remained out of office until 1972 because of gerrymandered electorates and a split in 1955 over communism and the Cold War. This long conservative era (1949–72) saw the welfare system stagnate but centralized industrial relations and protectionism were not unwound by the Liberal-Country Party coalition governments due to a complete dependence by many sectors on protection-all-round. And Keynesian-full employment bolstered the regime in the post-war decades. The institutional path dependency remained very powerful, as in many parts of the advanced Western world. The Labourist-Protectionist regime continued despite a growing chorus of neo-classical economistic voices against it by the 1960s and it finally began to be dismantled in the 1970s.[21]

Was the Labourist-Protectionism / historic compromise a form of Social Democratic Welfare Capitalism?

There are several ways to conceptualise and assess the significance of the Australian labourist-protectionist model. First, there is an economistic/public choice approach, which builds on and theorises arguments made in the late 1920s early-1930s in Australia[22], arguing that Labourist-Protectionism was the path dependent and deleterious consequence of the centrality of the state in Australia's developmental history from the foundation in 1788. It's true that being strongly influenced by the tyranny of distance as well as being a state foundation in a very difficult context, economic activity was necessarily subordinated to state criminological and geopolitical needs from the beginning. By the late 1820s, however, when significant free immigration and a rampant private economy of pastoralism and land squatting got under way, wool producing rent-seekers became powerful and almost beyond the control of

21 Battin, T. (1997) *Abandoning Keynes: Australia's Capital Mistake*, Basingstoke: Macmillan.

22 Hancock, H. K. (1930) *Australia,* London: Ernest Benn [new edition: Brisbane: Jacaranda Press, 1961]; Shann, E. (1930) *An Economic History of Australia,* Melbourne: Georgian House.

the state.[23] But, unlike Argentina, state power was reasserted, partly through the Wakefieldian and other philosophic radical influences at the Colonial Office in London, and the 'frontier interest' did not capture the state.

The gold rush era from 1851 then transformed the private economy and opened new possibilities for market development. But the failure of private railway investment and the increased flow of revenue to the colonial governments opened greater possibilities for public provision of infrastructure, particularly railways, in a context of private sector inadequacy and failure. Government developmentalism was always the central theme of policy. Internal tyranny of distance was also a significant factor. This set a pattern for a wide range of public provision of services and infrastructure (schools, hospitals, railways, roads, ports, telegraphs, food shops, post offices, and so on) that then linked directly to electoral politics of vote-seeking in local constituencies from the 1860s. In effect, this so-called 'colonial socialism' became a mechanism for transferring the wealth from booming staple exports, via the final demand linkage, to the highly urbanised population. The particular kind of democratic political process made this a structural trajectory beyond the power of the free-trade, market-liberal, opponents to overturn. The Labourist-Protectionist regime then continued from the mid-1890s in a more developed form what already existed from the 1860s, in order to create a kind of 'paradise' of working and lower middle class prosperity and security as a rejection of the capitalist failings evidenced in the 1890s depression.

The anti-state critics[24] failed, and still do, to understand the differences between beneficial and deleterious rent-seeking and how rent-seeking relates to the culture of fairness and equality. Taking a very long-term perspective on Australian socio-economic history it is possible to see that the economically-diversified and egalitarian-urban society that developed in the 19th Century, made possible by the wealth of staple exports, industrial protection, and high wages, represents a socially desired and beneficial form of rent-seeking by urbanized and increasingly unionized working classes, who 'chose' this redistributional outcome via the electoral process.

The powerful path-dependent culture of egalitarianism had grown out of the early struggles over acceptance of the validity of a form of convict, post-convict, and emancipist society (strongly influenced by Irish radicalism and Catholic socialism) that rejected notions of inherited class and imperial

23 McMichael, P. (1984) *Settlers and the Agrarian Question: Capitalism in Colonial Australia*, Cambridge: Cambridge University Press.

24 For example: Butlin, N. G., Barnard, A. & Pincus, J. J. (1982) *Government and Capitalism in Australia: Public and Private Choice in Twentieth Century Australia.* London: George Allen and Unwin.

inequality and authority. Related to this was an ideology that the role of the state was indeed to ensure that equality prevailed. Unlike the United States, subsidiarity was never a strong theme. The advent of the Federation, however, placed the principle of equality under strain for some peripheral regions began to feel neglected and unable to pursue their self-interest through independent policies and so Western Australia tried to secede in 1932. This problem was solved by implementation of national egalitarianism through the non-partisan Commonwealth Grants Commission (1933), which saved the federation through redistribution of public finance (derived from progressive taxation revenue) to achieve horizontal fiscal equalization across the nation.[25]

The Australian model contrasts with a deleterious form of rent-seeking that was occurring in Argentina at the same time where a small oligarchic landed elite enriched itself through the monopolization of land, staple industries, and state patronage and produced weaker linkages into the wider society. The lack of *de facto* democracy made this possible and reinforced the non-democratic and unequal nature of the society, thus also preventing further liberalisation. Argentina suffered resource-curse while Australia was undergoing a resource blessing.

Furthermore, rent-seeking (or seeking for economic advantage beyond the normal rate of return) is a universal phenomenon (part of a wider set of phenomena of social inequality) at all levels of societalisation from small groups and institutions upwards. The problem is not to eliminate it (for that is impossible) but control and direct it into beneficial outcomes. It can be argued that this was the consequence of labourist-protectionism. Of course there were some costs of inefficiency but as the Brigden Report (1929) found, there is a social and economic case for protection, subsequently labeled 'The Australian Case'. This was a view eventually conceded by some prominent neo-classical economists 50 years later,[26] and further reinforced by Krugman's new strategic trade theory in the 1990s and Stiglitz's and Krugman's defence of Keynesian intervention in the global crisis. Of course the critics of free trade imperialism in India, for example, from the mid 19th century (including Marx) and up to the present, have always understood the negative consequences of free trade, especially in contexts of unequal exchange. That is, so-called free

25 This Australian episode has interesting parallels with the travails of the European Union in the 2000s, where moves towards federation have lacked fiscal equalisation measures to compensate for the deleterious effects of the single currency on the less developed regions and the unequal development between regions.

26 Manger, G. J. (1981) 'The Australian Case for Protection Reconsidered', *Australian Economic Papers,* Vol 20, No 37, 193–204; Samuelson, P. A. (1981) 'Summing Up the Australian Case for Protection', *Quarterly Journal of Economics,* 96: 1, 147–160.

trade, or efficient market freedom more generally, does not necessarily always produce desirable social outcomes.

Taking this argument further, then, a quite different way of understanding labourist-protectionism is as a rather radical attempt at first (not very successful to be sure and with large gaps) to embed capitalism within democratic society and assert democratic control of markets in a dominant way via state-established institutions, including the Court of Arbitration (1904), the Harvester principle of wage justice based on needs (1907), the Commonwealth Bank (1911), the Tariff Board (1921), and organized agricultural marketing (1920s). This kind of argument about democratic embedding, obviously not articulated as such by Australian leaders or policy makers, but developed explicitly in similar ways by Polanyi and Streeck[27], provides a way of reinterpreting attitudes towards the state as the instrument of popular democratic desire to control capital and prevent a repeat of the disastrous crisis of the 1890s, a crisis in which the standard of living of many ordinary people was first eroded by unemployment and/or wage cuts and then through their savings being destroyed by badly managed and rapaciously greedy, speculative, and corrupt banks that collapsed in 1893. Trade unionists, labor politicians, small farmers, and harmony liberals were united in a desire to make the state the instrument of, in effect, a social democratic programme of intervention in markets for desirable social outcomes.

It should be said, therefore, that Labourist-Protectionism was in fact a programme to regulate capitalism as a whole system of political economy, in a context of lack of theorization (‘*socialisme sans doctrines*’) and indeed of an explicit rejection of grand theory as being somehow ‘unAustralian’. This was later misinterpreted as anti-intellectual but was really just practical and gradualist, as Reeves perceptively understood in his insightful 1902 summation. This ‘bottom up’ and piecemeal approach to social reform and political economy was nonetheless wide-ranging and coherent. As Frank Castles has argued at length, a ‘wage-earners welfare state’ emerged in Australia more or less by design in the first decades of the 20th Century.[28] This was based on the increasingly powerful centralised industrial relations system, which was underpinned by a culture of fairness, egalitarianism, harmony, and redistribution via the wage bargain and its associated welfare implications. Full employment and very high male labour force participation were essential

27 Polanyi (1944) and Streeck (2011, 2012)

28 Castles, F. G. (2002) ‘Australia’s Institutions and Australia’s Welfare’. In Brennan, G. & Castles, F. G. (eds) *Australia Reshaped: 200 Years of Institutional Transformation.* Cambridge: Cambridge University Press.

to maintaining the best outcomes from the system, which was supplemented by an increasing range of state-provided welfare measures. Of course the limitations were very significant, especially regarding the place of women and indigenous people in the regime, limitations that were not overcome in the post-1949 period, as happened to a much greater extent in northern Europe, largely because of electoral failure of the Labor Party (see below).

Was this form of welfarism and economic regulation a special kind of social democratic welfare capitalism? Social democratic welfare capitalism can be conceptualised as an idealised abstraction from a combination of empirical description and generalisation from actual cases of capitalism that is defined essentially by the following features:

- The government/state/market relationship is one in which the establishment of equality, justice, efficiency, and investment is a public/private co-operative developmental project requiring a degree of national planning, or at least agreement about key goals, and Keynesian-type fiscal policy to ensure full employment. Corporatist consensus and co-operation (but not authoritarianism in any strong sense) by capitalist, labour, and civil society interests are significant underpinnings that are mediated via pluralistic parliamentary democracy.
- Regulation of industrial relations via state-established or state-supervised collective bargaining at industry and/or national level, which aims to civilise or institutionalise conflict, maintain employment and raise standards of living and working conditions for workers and families, equalise standards throughout the society, and reduce societal inequality.
- Extensive social welfare provisions that rely upon a provider/investor/redistributive state.
- High and progressive taxation at sufficient levels to maintain a capacious state for provision of welfare and investment and maintenance of public infrastructure.
- Provision of welfare, services, and investment activities from a social/market mixture that aims at allocative efficiency within an egalitarian and inclusive framework.

Like all models of capitalism, there are both conceptual difficulties with this list and, moreover, insofar as there are real world instantiations of the model, contradictory tendencies within SDWC political economies and societies. Nevertheless, the model is capitalist rather than socialist in any strong sense

that verges towards communism, in the sense that private property is still dominant, private investment and consumption decisions are paramount, the capital/wage labour relationship is the dominant form of economic exchange, which remains fundamentally unequal; and capital accumulation from private profit still drives the behaviour of the owners of capital. But the public, non-profit sector can be as large as the private sector and the level of taxation and the size of the public (non-profit) sector can be at least half or more of all economic activity. This rough equality of socialised and privatised sectors is a hallmark of social democratic welfare capitalism in its most developed form. And, furthermore, it is important to emphasise the role of liberal democratic processes in organising the society although some liberals have always criticised the relative lack of individualism, personal freedom, and public criticism of the fundamental institutional structure of consensus and co-operation.

Compared with other models of capitalism historically and contemporaneously, SDWC places definite limits on the power of capital but in some places where it has been developed it's clear that capitalists have not only been happy to co-operate with social democratic states and labour interests but have been very comfortable with a lack of market freedom. Protectionism, tolerance of cartels and monopolies, and market distortions of various sorts have obviously not undermined the rate of return on capital and that rate has been important to the public/private investment climate.[29] Australia in the early 20th Century had some of these features in a rudimentary form and the rhetoric of the time by Liberal and Labor thinkers was that a consensual society was being built, partly as a deliberate response to the conflicts of the 1890s. The class-divided society could be ameliorated and a new kind of society built by institutions created precisely for that purpose.

The idea of the state as provider, redistributor, and regulator was firmly entrenched in Australia and the vigorously democratic politics was largely a contestation over controlling the state in order to refine its interventionist capacity and promote certain sectional interests. Thus Australia exhibited some basic features before the First World War and more so in the 1920s of what developed into a more all-encompassing structure in northern Europe in the post-war decades. But the settler capitalist foundation, the continuing dependence on resource exports for wealth creation, and the Anglo-Liberal ideological and cultural tradition, blunted the social democratic agenda compared with Europe in later decades. A good case has also been made by

29 cf. Swenson, P. A. (2002) *Capitalists Against Markets.* Oxford: Oxford University Press.

Castles and others[30] that social democratic agendas are difficult to advance in federal polities where there are many regional interests and a states-rights ideology that resists federal power. The Australian Senate, like the United States Senate, is a very powerful chamber and so is able to give effect to state and local interests. Labor Party government programmes in Australia have often been stymied by hostile Senate majorities, the present Rudd / Gillard Labor Government being no exception.[31]

Furthermore, the negative side to this Australian model, much debated in the 1920s and perhaps shared by other SDWC states to varying degrees, was about the growing inefficiency and non-viability of the protectionist framework, by then encompassing all sectors of economy and society. The lack of capacity of governments to promote efficiency via competition in any market came to a head in 1928–29 with the defeated attempt to undermine the centralised industrial relations system. The depression of the 1930s temporarily derailed the wage-earners welfare system. The full-employment war economy of 1939–45, however, and the ideological framework of Labor, after the Depression and war experience, of national planning and nationalistion of key economic sectors, including banking, the promotion of full employment, and an improved social welfare system, looked set to move the welfare state to a new level in the post-war era. The failure to move to this new level of a more mature form of SDWC can be attributed not to an ideological shift but in part to the federal constitutional structure of Australia, which has limited the capacity of national governments to carry through extensive social democratic reforms because of both the limited jurisdiction and incapacity of federal governments to persuade all sectional interests to co-operate. A majoritarian, two-party system and Senate obstructionism has always meant the centre-left struggles to gain office and use it effectively for major reforms that threaten unfettered capitalist interests. Once Labor got back to office in 1972 the Whitlam government did try to catch up with the social democratic agenda, including national health insurance, but again the Senate was the problem.

30 Castles, F. G. and Uhr, J. (2005) 'Australia: Federal Constraints and Institutional Innovations'. In H. Obinger, S. Leibfried, and F. G. Castles (eds) *Federalism and the Welfare State,* Cambridge: Cambridge University Press.

31 It was said of the Scullin Labor Government of the early 1930s, which was attempting to implement a progressive and even radical (for the time) Keynesian-type or New Deal-type of depression policy, that, lacking a Senate majority, was 'in office but not in power'.

Path dependencies and contingencies: shocks on the rocky road of the Australian model – towards oblivion?

It used to be said in the early 20th century (such as by Reeves, 1902), and more recently with a reminiscing tone, that Australia and New Zealand were social laboratories, experimenting with new forms of social organization and institutions that were designed somehow to resolve the fundamental problems of class-divided, unequal, capitalist societies. This antipodean new world, free from the constraints and legacies of old world social structures and ideologies, was supposedly able to more freely experiment with ways of organizing and regulating the socio-politico-economy. But, as elsewhere in the capitalist world, class conflict lay at the heart of Australia's 'experiments' and the social democratic political movement was itself divided among various factions, seemingly inevitable within liberal, democratic polities. Many forces of structural continuities and contingencies operated.

Throughout the history of Australian SDWC, no less than anywhere else, we can discern the shifting dynamics between institutional path dependencies (especially the centrality of state intervention), cultural continuities and commitments to egalitarianism and co-operation, public ideologies (not always coherent), formal reform, and the path of economic development, including, crucially, economic shocks of both supply and demand types. On the later topic, it's clear that *ad hoc* reactions to shocks or the inability to respond adequately have played a significant role in this history of SDWC as have more careful responses and other longer-term forces.

The long-term effects of reactions to shocks have depended on both their degree of intellectual framing and far-sightedness. Reactions to the great shock of 1890–94 played out over the following two decades in a profound way because of the ideological, cultural, and politico-constitutional context. Conservative and even *laissez faire* reactions to the 1930s depression would doubtless have had very long-lasting effects if the World War Two shock had not intervened and established an economic and social climate for more social democratic policies with Keynesian ideological confirmation, which, nevertheless, could not be well-established in Australia, again because of the politico-constitutional, economic, and geo-political context of the immediate post-war years. The long boom of the post-war decades was dependent on the initial demand shock of the Korean War and its successive waves of resource exports to NE Asia up to the 1970s. The 1970s stagflation shock had very long-term effects because it contributed to the de-legitimation of Keynesian interventionism and therefore of the social democratic programme of the

Whitlam Labor government of 1972–75.[32] The 1991–2 recession, on the other hand, simply cemented the beginnings of the shift to more privatisation and marketisation of the 1980s.

The rightist, labourist, faction within the ALP, having become dominant by the early 1980s, moved decisively to Neo-Liberalism. The wages and incomes Accord of the early Hawke/Keating ALP government (1983–96), tried to combine a corporatized labour market and limited improvements to social welfare with marketisation in other areas. The contradiction was abandoned in favour of Neo-Liberalism all-round in the crisis of the early 90s. The degree of convergence between the dominant faction of Labor and the conservatives on the fundamentals of policy was remarkable.[33]

Finally, in the 2008–13 crisis, we are seeing in many countries a widespread disenchantment with the lack of an organisational and socialised foundation for economic behaviour. That is, perhaps the beginning of an epochal shift, comparable in significance with the Neo-Liberalism of the 1970s and early 80s, may be happening in which all markets, including labour markets, will again be seen as requiring greater central regulation that brings them closer into line with social needs. Another way to express this is in terms of the Polanyian understanding of economies being embedded within societies and that the past decade or two could be seen as a period in which economic behaviour and its market contexts were 'dis-embedded' to a significant degree from their close connections with social organisation and politics. The issue would then become one, as Wolfgang Streeck has argued, of how to re-assert democracy into the economy. Rudd's Labor Government (2007–2010) made some moves in this direction but not very far.

In conclusion, this story of Australia's labourist/social democratic/SDWC history reveals several important points for understanding both the Australian and the more general history of Western capitalism. First, the ALP became the sole 'carrier' of the social democratic impulse from 1908, aided a little by the inheritors of colonial socialism among certain sectors of the economy, and so the history of social democratic reform became dependent on the fortunes of the ALP alone. Secondly, however, the electoral system limited those fortunes very considerably, in contrast with northern European social democrats within their proportional representation systems who were able to forge and dominate centre-left coalitions in favour of further developing social welfarism in the

32 Battin (1997).

33 Ecclestone, R. and Marsh, I. (2011) 'The Henry Tax Review, Cartel Parties and the Reform Capacity of the Australian State', *Australian Journal of Political Science,* 46: 3, 437–451.

post-war decades. In Australia the electoral spectrum remained shifted to the centre-right whereas in northern Europe it was shifted to the centre-left in most places, at least in terms of consensus on fundamentals of SDWC, with significant consequences for the development of SDWC in both regions.

Thirdly, in hindsight, the frustration of and then electoral defeat of Labor in 1949 was pivotal. The Whitlam 'experiment' was never given space to breathe. Once the ALP became electorally dominant again in 1983 it had moved towards the centre-right and became imbued with neo-liberalism to a greater extent than social democrats in northern Europe. The crisis of the early 90s reinforced that trend. Once back in office again in 2007 the global crisis of 2008 onwards again undermined the attempt to move leftwards, a frustration again flowing in part from the Senate. Adding to the problem has been the enormous power being asserted by the 'new sqattocracy' in the shape of mining companies during the current resources boom.[34]

Finally, it's doubtful in the 2010s if Australia still belongs to the SDWC club. The convergence on Neo-Liberalism, Prime Minister Gillard's internal coup against Rudd, the formation of a precarious minority government, subsequent weakness of the ALP in the face of internal factional conflict and external enemies (especially big capital), and its domination by neo-liberals and unprincipled careerists, has further undermined the ideological and programmatic strength of the ALP and pushed it to the right. The fiscal straight jacket of a low-taxing, populist rhetoric flowing remorsely from the right, adhered to without a peep by Labor, undermines any capacity to strengthen the state again and thus improve welfare and public provision. The ALP has expressly abandoned the last vestiges of social democratic rhetoric as well as most activism. The contestation in politics has ceased to be about ideology but about efficient management and reductions of the role of the state. The self-imposed fiscal straightjacket of low taxes and balanced budgets pushes Australia towards, if not a failing state, at least an inadequate state.[35] The election of 2013 will be a decisive moment.

34 Lloyd, C. (2012) 'Resource Rents, Taxation, and Political Economy in Australia: States, Public Policy, and the New Squatters in Historical perspective', *Australian Policy Online*, 28 May 2012. http://apo.org.au/research/resource-rents-taxation-and-political-economy-australia.

35 The taxation to GDP ratio at about 28% is now near the bottom of the OECD table.

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NARRATIVES AND NUMBERS
Politics in the making of sickness insurance in Finland

OLLI KANGAS, MIKKO NIEMELÄ AND SAMPO VARJONEN

The introduction of social insurance has taken place in a certain chronological order in Europe. As a rule, the first act to be carried through has been work accident insurance, followed by sickness insurance, pensions, unemployment insurance and family benefits[1]. Contrary to the other developed OECD countries[2], in Finland sickness insurance was the last of these five major income transfer schemes to be adopted. Furthermore, by international standards the implementation of sickness insurance took place at a late stage in Finland, be the yardstick either chronological time or society's diachronic prosperity level. The Finnish Sickness Insurance Act of 1963 was lagging 80 years behind Germany (where the first law was adopted in 1882) and more than 70 years behind Sweden (1891) and Denmark (1892). As regards diachronic comparisons, Finland was Europe's most prosperous country when its first sickness insurance act was introduced: when sickness insurance legislation was enacted in Finland, the GDP per capita was three times higher than in Sweden and five times higher than in Italy when the two countries implemented their first sickness laws. If sickness insurance had been implemented in Finland at the same GDP per capita level as in Italy, it should have come into effect already by the end of the 1890s, or, if compared with Sweden, in the 1920s.

Usually Finnish laggardness has been explained by various structural factors, such as the country's late industrialisation and the large proportion of rural population.[3] However, structural factors are not sufficient to explain the extremely late introduction of sickness insurance in Finland. When seeking explanations we should examine the different kinds of insurance desired

1 Alber, Jens (1982) *Von Armenhaus zum Wohlfahrtsstaat. Analysen zur Entwicklung der Sozialversicherung in Westeuropa*. Frankfurt: Campus.

2 Except Andorra (1966), Guernsey (1964) and Moldova (1993).

3 Niemelä, Heikki (1994) *Suomen kokonaiseläkejärjestelmän muotoutuminen*. Helsinki: Kela, 146–160; Kangas, Olli (1991) *The Politics of Social Rights: Studies on Dimensions of Sickness Insurance in OECD countries*. Edsbruk: Akademitryck; Hellsten, Katri (1993) *Vaivaishoidosta hyvinvointivaltion kriisiin. Hyvinvointivaltiokehitys ja sosiaaliturvajärjestelmän muotoutuminen Suomessa*. Helsinki: University of Helsinki.

by different political actors and how political contradictions hindered the implementation of sickness benefits in Finland.[4]

The role of politics has, in fact, been one of the most debated themes in welfare state research. Many of the questions of comparative socio-political research revolve around the impact of politics[5] in the development of the welfare state. The issue has been investigated from two different viewpoints. On the one hand, historical case studies, as practiced by proper historians, have drilled into the detailed political genealogy of reforms. On the other hand, quantitative methods have been used to outline the effect of political power on the coverage of systems and benefit levels – this tradition has been strong in macro-sociology and political science. Only in very few studies[6] have these two approaches been combined to see if similar results can be obtained on the basis of a detailed historical narrative and a more straightforward numerical analysis. Our aim in this study is to examine the making of sickness insurance in Finland by combining these two approaches and to see the extent to which they lead to same conclusion. We identify agents, some of whom, in the historical part, are individuals but who are mostly collective actors. In the numerical treatise we only look at collective actors.

We start by sketching a historical 'grand narrative' of the making of sickness insurance in Finland. With slight variations the same story applies to many other forms of social policy as well. The narrative part is based on the ideographic tradition in social sciences and is a 'thick'[7] account of the making of sickness insurance in Finland. This historical description takes a lion's share of our presentation. Two basic lines emerge: the 'a little for all' principle demanded by the representatives of the rural population, versus the principle of workers' insurance basing on income-relatedness that served the interests of urban employees. The historical overview is followed by a more condensed section which examines trends in sickness benefits during various governments from 1964 to 2010. The main question is whether the

4 For a general presentation see e.g., Kettunen, Pauli (1986) *Poliittinen liike ja sosiaalinen kollektiivisuus*. Helsinki: SHS. Kettunen, Pauli (1994) *Suojelu, suoritus, subjekti. Työsuojelu teollistuvan Suomen yhteiskunnallisissa ajattelu- ja toimintatavoissa.* Helsinki: SHS.

5 'Politics matter' thesis; see, e.g. Kangas, Olli (2006) 'Politiikka ja sosiaaliturva Suomessa'. In Paavonen, Tapani & Kangas, Olli *Eduskunta hyvinvointivaltion rakentajana.* Helsinki: Edita, 189–366.; Kangas, Olli & Palme, Joakim (2007) 'Social Rights, Structural Needs and Social Expenditure'. In Clasen, Jochen & Siegel, Nico (eds) *Investigating the welfare state change: the 'dependent variable problem' in comparative analysis.* Cheltenhamn: Edward Elgar, 106–132.

6 A good example of a combinatory study is Huber, Evelyn & Stephens, John (2001) *Development and Crisis of the Welfare State*. Chicago: Chicago University Press.

7 Geertz, Clifford (1973) *Interpretating Cultures*. New York: Basic Book.

previous historical legacies are reflected in benefit levels. We seek parsimony of explanation and through statistical devices we extract an 'analytic narrative'[8] out of a more ideographic historical account. Thus, we attempt to repeat the historical narrative by quantitative means and see if similar results can be obtained by the two different approaches.[9] The concluding section discusses and summarises our findings at a more general level.

Was the lateness of the Finnish insurance the Agrarian League's fault but the universalism its merit?

The debate on sickness insurance started in Finland simultaneously with other European countries. The issue was discussed in several committees and working groups, but discussions did not lead to implementation of compulsory insurance. There were two basic arguments against a mandatory programme. First, the poor relief already in place would take care of the sick. Another justification against an obligatory scheme was the fear that the insurance would erode individuals' own responsibility to take care of themselves.[10] The desire was to move forward on the basis of voluntary measures, and consequently, legislation on voluntary funds was issued already in 1897. In international comparative research, the birth of a certain form of social security is usually dated to the year the state has either decided to provide economic support to voluntary funds or decreed a compulsory insurance.[11] If the Finnish government had participated in the funds even with a very small sum – as was done in Sweden, for example – the time of creation of the sickness insurance would have been dated back to the decree of 1897, and Finland, the country later known for its laggardness, would in one stroke have become one of the pioneers of social policies. However, unlike most other countries, in Finland the state did not decide to support the funds, and in international comparisons Finland's sickness insurance is not dated until the implementation of a universal scheme

8 Bates, Robert, Greif, Avner, Levi, Margaret, Rosenthal, Jean-Laurent & Weingast, Barry (1998) *Analytic Narratives*. Princeton: Princeton University Press.

9 The time periods covered by the historical and analytic narratives are not exactly the same. Of obvious reasons the historical analysis goes longer back in history than the quantitative analysis that can begin only after the introduction of the sickness insurance scheme. However, that is not a major problem since our idea is to see if the grand narrative based on historical story telling still is valid and can be replicated by a numeral exercise.

10 Niemelä, Heikki (2004) 'Suomen sairausvakuutusjärjestelmän synty'. In Hellsten, Katri & Helne, Tuula (eds) *Vakuuttava sosiaalivakuutus?* Helsinki: Kela, 91.

11 E.g. Alber 1982.

in 1963. This anecdotal story shows that the timing of the first laws and the classification of pioneers and laggards in comparative research may indeed be an arbitrary exercise. Some countries qualified pioneers with a very limited coverage of the first insurance programmes.

Sickness insurance featured prominently in the election programmes of the parties preparing for the first general parliamentary election in 1906. Already at this stage some basic divisions appeared that would condition Finnish social policies. When other parties demanded a German-style workers' insurance in the case of sickness, the Agrarian League prioritized universal and compulsory pension insurance over other forms of social insurance. In the first elections the Agrarian League got only about six per cent of the votes but later the party obtained a strong position in the Finnish politics and followed its socio-political principles on flat-rate universalism sketched in the early programmes.

Already in the year 1906 – prior the first elections (1907) – a new committee was set up to consider implementing sickness benefits mimicking the German workers' insurance. In its report from 1911 the committee recommended compulsory sickness insurance for factory employees. For an employee fallen ill, the proposal would have guaranteed a daily allowance which, after a three-day waiting period, would amount to two thirds of the wage.[12] The Government, however, did not make a proposal on the matter.

The Senate of independent Finland returned to the matter, and among its first orders of business was setting up a committee to examine the possibility to implement sickness and maternity insurance. Although the Agrarian League was not represented, the committee proposed a national insurance.[13] The justification was that the country's large agrarian population could not be left outside the scope of the insurance. Again the Social Democrats argued that Finland should proceed gradually and follow along the lines of a workers' insurance, as was done in many other countries.[14] Even then the Government did not carry out the legislation and progress in the matter was left to legislative motions made by single members of parliament and political parties.[15]

The next serious attempt for sickness insurance was made by Väinö Tanner's social democratic minority government (1926–1927) which in 1927 made a proposal on a broad employee insurance programme, from which income ceilings limiting the scope of the insured had been removed. Also

12 KM 1911:10; Hellsten, Katri (1993) *Vaivaishoidosta hyvinvointivaltion kriisiin. Hyvinvointivaltiokehitys ja sosiaaliturvajärjestelmän muotoutuminen Suomessa*. Helsinki: University of Helsinki.

13 KM 1921:22.

14 Niemelä 2004, 94.

15 EE 24/1926.

white-collar workers were now included because 'their probability of falling ill is the same as the probability of manual workers'.[16] The amount of the daily allowance for the first day would be three-quarters of the wage, and the compensation would have an upper limit. No proposal was made about establishing a separate state authority to carry out insurance, i.e., the insurance would be administered by separate sickness funds. In the Parliament, the bourgeois parties opposed the social democratic proposal and finally also the left-wing socialists rejected the bill. The conservative National Coalition Party feared the too high costs of the reform, and instead suggested a voluntary scheme. The Agrarian League once again could not accept a scheme that did not benefit the rural population. According to the party, the conditions in Finland were fundamentally different from the conditions elsewhere in Europe, where 'the main source of income was large-scale industry'. In Finland those who were most 'in need of social services' were not employees but smallholders and tenant farmers.[17] The Socialist Workers and Smallholders Party (STPV, which was a disguised communist party) criticised the scheme because of the income-relatedness of the daily allowance. Income-related benefits 'would endanger the workers' spirit of solidarity and bring a pernicious caste system among the wage-labour population'. According to the STPV, the linkage to income demanded by the SDP in fact caused and maintained inequality. Therefore, the bill was to be rejected.[18]

According to the Social Democratic Minister of Social Affairs Johan Helo the conditions in Finland at the time were similar to those in which most of the European countries had passed their first sickness insurance acts. In fact, many countries were poorer than Finland when they implemented sickness benefits, which in Finland were regarded too radical and expensive.[19] This attitude discloses an interesting difference in the political discourse or rhetoric through which comparisons between countries were being made and how the issue was framed in parliamentary discussions. Based on the diachronic method of comparison used by Helo, Finland could afford to enact the law, especially if it were to be initially implemented in a more modest form, as had been done in other countries. Helo thus compared the present situation in Finland to the situation in other countries at the time they each had carried out their sickness acts. The comparison of the proposal's opponents, on the other hand,

16 HE 2/1927.

17 PTK 1927, 45–51.

18 PTK 1928, 783–785.

19 PTK 1927, 53.

was chronological. The prevailing level of socio-economic development and social security in other countries (rich, industrialized countries with extensive legislation) were contrasted against the poor Finland, and the conclusion was that Finland could not afford a similarly comprehensive system as richer countries.

In the Parliament the Committee for Labour Affairs suggested that the scope of the scheme should be extended to also cover agricultural employees.[20] The change would have doubled the number of the insured and increased costs considerably. Even this did not satisfy the Agrarian League still opposed to the bill, but on the other hand, the STPV, the liberals (National Progressive Party and a section of Swedish People's Party (RKP)) and the National Coalition Party voted for the bill in parliament, and consequently, it was passed in March 1929. However, the conservatives, agrarians and the RKP voted the bill to be 'dormant'[21] until the next elections were held.[22] When the new parliament (elected in 1929) re-examined the act, the opponents' front was joined by the Communists in the Socialist Workers Party who were more preoccupied with the Komintern's interpretation on 'the third crisis of 'capitalism' the possible collapse of capitalist order in Finland than implementing sickness insurance.[23] The Parliament rejected the bill in November 1929.[24] The greatest vigour behind sickness insurance had disappeared, and the legislative machinery began to concentrate on the preparation of the National Pensions Act. In the parliament, sickness insurance was, however, repeatedly brought up in single legislative motions submitted above all by Social Democrats (1930, 1934, 1945 and 1952) and, after the Second World War, by the Finnish People's Democratic League (SKDL) (1948 and 1954). Sickness insurance was not on the right-wing political agenda at all.

The Social Insurance Committee that operated after the war recommended in its 1949 report a gradual implementation of compulsory sickness insurance. Initially, the insurance would apply to workplaces with more than 50 employees. A daily allowance, to be paid for a maximum period of 90 days, would equal to 60 per cent of the insured person's income. The costs would be

20 TyöVM 1/1928.

21 Finnish parliamentarism included strong minority rules for decision-making to prevent changes from being too radical and to protect various minority groups. One third of the parliament (67 MPs) could prevent the adoption of a new law by voting it 'dormant' until the next elections were held. After that the new parliament could adopt the bill by a single majority. The one-third minority rule was abolished in 1992 and since then all bills except constitutional ones may be accepted by a simple majority.

22 Niemelä 2004, 98.

23 Kettunen 1986, 282, 376–380

24 Niemelä 2004, 99.

divided equally between employers and employees.[25] The recommendations of the report were not implemented. Neither K. A. Fagerholm's (SDP) minority government (1948–1950) nor the four successive Urho Kekkonen's (agrarian) governments (1950–1953) were capable or willing to prepare a bill. It was not until 1954 that Sakari Tuomioja's caretaker government (1953–1954) submitted a legislative proposal on sickness and maternity insurance based on the 1949 committee report. The benefits were generally the same as those in the committee's report and it was estimated that the coverage had been one fifth of the employees[26], which from an international perspective would have been a reasonable proportion for the first law.[27] In their customary manner, the agrarians opposed the proposal because the rural population would have been left outside. The proposal lapsed, and the parliament concentrated on reforming national pensions.[28]

Based on Tuomioja's proposal, a new committee to consider the implementation of sickness insurance with a wider scope was nevertheless set up in 1955. The committee proposed an insurance that would cover the whole population.[29] However, V. J. Sukselainen's agrarian government (1959–1960) did not take any action upon the matter. In the parliament the SKDL and SDP tried to hasten the legislation and submitted their own legislative motions for sickness insurance, until finally in October 1961 Martti Miettunen's (agrarian) right-of-centre coalition cabinet (1961–1962) set up a new committee. Already in November the committee submitted a proposal according to which the daily allowance would be applicable to the entire population. A minimum flat-rate daily allowance would be paid to those with no monetary income (mainly working in agriculture) and income-related benefits were to be paid to blue- and white-collar workers.[30]

Political activity related to sickness insurance became more animated in the parliament, and many previously passive parties submitted their own requests or legislative motions. The National Coalition Party's motion pointed out that due to economic considerations it was not possible to implement the sickness insurance all at once. Initially compensation would only be offered for medical treatment and only later, within the capacity of the national economy,

25 KM 1949:23; Niemelä 2004, 102.

26 HE 15/1954.

27 Alber 1982, 240–241.

28 Niemelä 2004, 102.

29 KM 1959:6; Niemelä 2004, 104–105.

30 KM 1961:39; Niemelä 2004, 106.

progress would be made to compensate losses of earnings.[31] A motion with a similar content was also submitted by RKP.[32]

The SDP and the Agrarian League submitted their own motions at the same time in 1961.[33] They quite adequately brought to light the parties' differing views on the basic principles of social policies and their implementation. The SDP stressed that, naturally, its aim was to insure the entire population, but it was not possible to implement this all at once. The first step would be to insure the wage-earners; for others, a voluntary scheme would be created. Thus the social democratic model would have been a typical employee insurance model, where in return for earnings-related payments the insured person would receive earnings-related benefits. Following its socio-political ideology, the Agrarian Party still demanded universal insurance: the system should cover everyone living in Finland.

In order to push the legislation forward, the SDP submitted a new motion in 1962. Now the SDP had moved towards a national insurance model with universal coverage. The insurance would be based on sickness funds operating under the control of The Social Insurance Institution (Kela) that was established in 1937 to run the National Pension Scheme. The daily allowance would be income-related (1.5 per mille of annual income) with a minimum amount (400 Finnish markkas corresponding almost to 20 per cent of an average worker's wage, APW) and a ceiling (2,250 markkas that was close to the APW).[34] The Agrarian League submitted its own motion, which was mostly similar to the one submitted a year earlier[35] and the SKDL, for its part, proposed a model excluding high-income earners and wealthy persons. As regards the benefits, the SKDL went along with the Agrarian League's flat-rate principle, but proposed higher benefit rates.[36]

The higher the probability of the enactment of sickness insurance was, the more active became also the parties that previously had been against the scheme and an intensive period of political credit-seeking began.[37] By referring

31 TA 677/1962; PTK 1962, 1865–1866.

32 TA 678/1962.

33 LA 156/1961; LA 157/1961.

34 Data on benefits is derived from LA 254/1962 and compensation levels, i.e., the value of benefits expressed in relation to average wage are calculated on the basis of wage income data gathered in Social Citizenship Indicators Program (SCIP) housed at the Swedish Institute for Social Research, University of Stockholm; https://dspace.it.su.se/dspace/handle/10102/7

35 LA 257/1962.

36 LA 256/1962; LA 257/1962.

37 Pierson, Paul (1994) *Dismantling the Welfare State*. Cambridge: Cambridge University Press.

to a particular motion a party had submitted, it could assure its voters that it was the activity of the party that pushed through the act. All in all, 11 legislative motions were submitted to the parliament. All political parties had realized the inevitability of the insurance, and subsequent political debates did not deal with whether or not the sickness insurance law should be enacted – as had been the case previously – but the debates revolved around the institutional set-up of the scheme.

In the end of 1962 Ahti Karjalainen's (agrarian) right-of-centre government (1962–1963) submitted a bill to the parliament. The bill followed the lines of the committee recommendations with the exception that the administration of the scheme was to be centralised and run by Kela.[38] While the Agrarian League together with left-wing socialists and communists supported the Kela model without reservations, the National Coalition and the SDP together with the major labour market organisations favoured a decentralized model based on sickness funds in the fear that the centralised design would concentrate too much power in Kela, where the Agrarian League had strong positions.[39] The National Coalition Party's front was however not completely unified, because the party's Minister of Social Affairs (Kyllikki Pohjala) strongly supported the Kela model.

The parties on the left criticised the meagreness of the benefits and the length of the waiting period which benefits were not paid for. However, at the final stages, the socialists did not want to endanger the establishment of sickness insurance and supported the government's proposal. The Sickness Insurance Act was passed on May 21, 1963. The insurance model included income maintenance, maternity allowance and reimbursements for costs of medical treatment. Income maintenance guaranteed minimum and earnings-related daily allowances. The minimum daily allowance was paid to all whose yearly income remained below a certain earnings threshold – thus it also guaranteed transfers to people without any nominal income; thus, e.g. home-wives, non-paid family workers and students became eligible for daily allowances. Whereas the minimum daily allowance reflected the agrarian socio-political alignment (flat-rate benefits plus supplements for dependent spouse and children financed by income-related contributions), the earnings-related daily allowance reflected the interests of the employees, mainly represented by the SDP. As a whole, the history of Finnish sickness insurance is a good example of the build-up of the Finnish welfare state. The Social Democrats,

38 HE 129/1962.

39 Niemelä 2004, 108–110; e.g., the Director General of Kela was the chairman of the Agrarian League.

with their demands on workers' insurance, were the most diligent in the matter and made numerous attempts to get the law passed. By utilising the strong minority regulations and veto points[40] the Finnish parliamentary system allowed, the agrarians, with clever alliances – at times with the Communists, at others with the Conservatives – managed to block all proposals that would have led to a workers' insurance. The Agrarian League's strategy of 'if not for us then for no one else either' delayed the insurance coming into effect. Sickness insurance was delayed both chronologically and diachronically – in other countries laws were implemented in significantly poorer conditions. On the other hand, when the law was finally passed, its coverage was universal and it was one of the most comprehensive in the world – only Sweden had a coverage rate as extensive as Finland.

From flat-rate to earnings-related benefits

One of the basic problems in the 1963 law was that daily allowances were not indexed to keep abreast with general income development. Increases in benefits were to be decided by the government. After 1970, the maximum daily allowance was not increased even once. Due to rapid increases in wages the benefit payable to the average-paid worker very soon exceeded the maximum daily allowance, and the person did not receive the earnings-related daily allowance in full. The Finnish compensation level, which in the mid-1960s had been close to the OECD average (about 60 per cent of the APW), became one of the lowest (about 30 per cent of the APW) in Europe. The situation of low-income earners had been improved by increasing the minimum daily allowance, but the majority of employees received the maximum daily allowance. Thus, towards the end of the 1970s, Finnish sickness insurance had in fact changed into a flat-rate system. Without any deliberate decision the underpinning logic of the system had been altered. A political drift based on non-decisions produced what, in Peter Hall's terminology, could be called a gradual 'third order change'[41].

40 In this issue Finnish history strongly supports studies emphasizing the role of legislative structure and various veto points built in the system. See e.g. Immergut, Ellen (1992) *Health Politics. Interests and Institutions in Western Europe*. Cambridge: Cambridge University Press; Skocpol, Theda (1995) *Protection Soldiers and Mothers: The Political Origins of Social Policy in United States.* Harvard: Harvard University Press.

41 Hall, Peter (1993) 'Policy Paradigms, Social Learning, and the State. The Case of Economic Policymaking in Britain'. *Comparative Politics*, Vol. 25, No. 3, 275–296.

One reason for this drift was the fact that most members of the Parliament did not consider the development problematic. The parliamentary debates at the time mainly dealt with the level of basic benefits: the low level of minimum allowance became contrasted with the 'lavish' maximum benefit. This 'injustice' was extensively used above all, in the rhetoric of the Centre Party (former Agrarian League) and the Finnish Rural Party (SMP). Some of the representatives of the Centre Party even expressed their desire to move entirely to flat-rate benefits.[42]

On a more general level, one could say that the rural rhetoric that favoured the flat-rate principle emphasised arithmetic equality: sickness affects all citizens, be they rich or poor. In the name of equality, the benefits should also be the same for all. On the other hand, not much weight was put on differences in income losses caused by incapacity to work – which idea plays the most important role in the traditional insurance philosophy.

Even during this period, the National Coalition did not pay much attention to sickness insurance. Earnings-related daily allowance was more of a concern to the parties of the left, although, even for them, the greatest interest seemed to lie in the minimum daily allowance. In the beginning of the 1970s, the SKDL regarded the difference between the highest and the lowest daily allowance unreasonable and demanded the minimum allowance to be raised.[43] A decade later, the party proposed an increase also to the maximum daily allowance, so that the level of compensation would increase approximately to 60 percent of the wage. For lower income groups, the percentage of compensation was to be higher. Thus, there was still a demand for a system with an earnings ceiling: the maximum daily allowance had to be raised but not abolished.[44] In the beginning of the 1970s, also SDP favoured the ceiling and in fact demanded that the maximum daily allowance should be decreased.[45] Towards the end of the decade, also the Social Democrats' policy gradually changed. According to the party, the purpose of sickness insurance was 'to compensate losses of earnings due to incapacity'[46], but the ceiling was so low that this could no longer be realised. SDP's motions also spoke out for the taxing of social benefits[47].

42 PTK 1970, 2554.

43 RA 158/1971.

44 LA 129/1981.

45 LA 322/1970.

46 LA 410/1972; KK 352/1975.

47 LA 438/1975.

Apart from these motions, the earnings-related part of sickness allowance did not get much attention in the parliamentary debates of the 1970s.

As statutory benefits lost their importance, new solutions were to be found among labour market organisations. In 1980, expenditure on the employer provided paid sick days was already greater than expenditures paid out by Kela. The situation naturally put a strain on the employers, who were responsible for the whole wage sum for the sick-pay period, which varied from one to three months depending on the labour market contract. Against this background, it is not that surprising that the Employer Federation together with social insurance bureaucrats in the Ministry of Social Affairs were the first ones to demand improvements in sickness insurance benefits. Thus, the initiative to reforming the daily allowance system came in fact from outside the parliament. Social insurance experts had already in the early 1970s proposed a comprehensive social benefits reform. The aim was that in Finland, as in the other Nordic countries, income from social insurance should be treated equally with income from other sources: in other words, social transfers should also be subject to taxation. The main problem was how to persuade the politicians and trade unions to agree to this.[48]

The trade unions' evasive attitude began to gradually melt away because the sick pay systems based on collective agreements had problems of their own. Different occupational categories had different arrangements. Generally the sick pay systems for white-collar workers were better than those for blue-collar workers. In addition, high-income earners benefited more from tax-free allowances than low-income groups. These circumstances made trade unions consider improvements in statutory benefits, and the representatives for both the employers' and employees' organisations decided to participate in a working group preparing a sickness benefit reform. Bureaucrats from the Ministry of Social Affairs and Health offered a compensation level corresponding to 60 percent of wage without benefit ceilings, but the trade unions managed to raise the compensation level to 80 percent. This is what the working group eventually proposed to the government.[49]

In 1981, the coalition cabinet of the left-wing parties and the Centre Party (1979–1982) led by Mauno Koivisto (SDP) prepared a proposal to transform the Sickness Insurance Act. The new taxable daily allowance would compensate 80 per cent of the earnings without benefit ceilings.[50]

48 Kangas 2006, 326–327.

49 Kangas 1991, 148.

50 HE 54/1981.

In the Parliament, the proposal was received with criticism. Again, the SMP advocated equal benefits.[51] The Centre Party was aghast with the proposal's 'antisocial' character, saying that it reflected 'the desire of strong labour organisations to obtain extra benefits to the better-offs'[52]. No cheers were heard from the leftmost end of the SKDL either, as the proposal was understood to be a concession to employers and 'right-wing circles'. However, many political groupings, which initially expressed their criticism against the government's proposal, eventually accepted the situation and voted for the bill.

Back and forth

The extensive 'SOVE reform' came into effect in the beginning of 1982, and Finland moved from one of the most typical flat-rate systems to complete earnings-relatedness. The benefits were 80 per cent of a person's income. However, already the following year, the earnings-relatedness was relaxed and a cut-off point was introduced: i.e., up to a certain income limit the compensation was 80 per cent, but for earnings exceeding that limit only a 50 per cent compensation was paid. In 1984 another cut-off point came into effect, above which the compensation would only be 30 per cent. At the outset of the 1990s economic depression, there were thus two cut-off points and three compensation levels: 80, 50 and 30 per cent. This was the situation in which Esko Aho's right-of-centre government (1991–1995) began to look for savings in the sickness insurance system in the midst of a deep economic crisis.

In October 1991 Aho's government made its first proposal to reduce sickness insurance. The government proposed that, with the exception of the lowest daily allowances, compensations should be decreased by five percentage points, which would decrease the compensation levels to 75, 45 and 25 percent.[53] The most critical attitude towards the proposal was from the Left Alliance (former SKDL), which wanted the law voted to be 'dormant'. The Social Democrats criticised the proposal, but at best they showed only minor resistance and did not join in the Left Alliance's demands to reject the proposal.[54] In 1992 the minority regulations were changed and since then laws could be enacted

51 RA 1417/1981.

52 LA 157/1981.

53 HE 145/1991.

54 PTK 1991, 3801–3803, 4045–4051, 4106–4107.

by a simple majority in the Parliament which increased the power of the government vis a vis parties in the opposition.

In 1992 Aho's government proposed further cuts in the compensation levels (to 70, 40 and 25 per cent). This time the Left Alliance announced that they would accept cuts only if they were made to the top end in the income ladder, whereas benefits for the low- and middle-income groups should not be touched. The SDP criticised the Centre Party for returning to the old agrarian flat-rate system.[55] The government carried out the cuts by arguing that they would be in effect only temporarily, until the end of 1992. However, in November 1992 the Aho cabinet made a new proposal where the changes were made permanent and, in addition, the basic compensation level was cut from 70 to 66 per cent.[56]

The discussion concerning the new proposal advanced along the same lines as it had done for the previous one. Representatives of the Left Alliance asked how the Centre Party, which depicted itself as the safeguard of minimum security, could punish the most disadvantaged sections of the population, while leaving the benefits of the highest income earners untouched. Also the SDP criticised the proposal, but it did not join the Left Alliance in their demands for a benefit ceiling. The Centre Party, on the other hand, claimed that the trade unions had prevented, by threats of a general strike, any cuts that would have hit the better-offs. Cutbacks simply had to be targeted towards low-income earners because trade unions together with employers prevented other measures and selfishly took care of the labour market insiders: 'the greedy are always raking in money for themselves'.[57]

Paavo Lipponen's (SDP) 'rainbow' cabinet (1995–1999), which consisted of the SDP, the National Coalition, the Left Alliance, the Greens and the RKP (Swedish People's Party), decided to continue the savings policies. Already in September 1995 the government proposed that the minimum allowance would be abolished: in other words, without earnings there would be no right to a daily allowance. In the proposition, sickness allowance was first and foremost seen as compensation for lost income. If there were no earnings, there was no reason to pay compensation either. The proposal also aimed to tie benefits more closely to actual losses of earnings, and decided to restore the basic

55 PTK 1992, 2146–2152, 2573.

56 HE 313/1992.

57 PTK 1992, 5477–5484.

compensation level of the sickness allowance back to 70 per cent, as it had been in 1992.[58]

The proposal divided the parliament into two camps. The most vociferous was the criticism from a radical splinter group expelled from the Left Alliance[59]. The Centre Party concurred with their criticism and pointed out that the expansion of atypical employment would accentuate the need for adequate basic security. According to the Centre, the Lipponen government was moving Finland away from the Nordic welfare model towards a 'European model' that favoured the rich and where sufficient security was provided only to those with a permanent job.[60] Criticism from the opposition ran into the sand and the new law came into effect at the beginning of 1996.[61] The universal minimum daily allowance was removed and replaced by a means-tested allowance.

The victory of the earnings-based policy was nevertheless only a partial one, since political as well as structural pressures soon started working towards restoring the minimum daily allowance. Its restoration was kept on the political agenda by the Centre in particular. Furthermore, due to problems arising from the coordination of various social benefits, Paavo Lipponen's second government (1999–2003) finally had to open the package that his first one had tied up.

In 2001 the government proposed that people without earnings should have the right to receive a minimum daily allowance of approx. 10 euros per day once the sickness had lasted for 55 days. Thus the benefit would no longer be means-tested. The proposal was a concession to the parties that had opposed the 1995 reform. The restored minimum daily allowance was not linked to the cost-of-living index either. The act also retained the earnings threshold introduced in the 1996 reform; in other words, those not reaching a certain income limit had only flat-rate compensation via the minimum daily allowance system.[62]

The parliamentary elections of 2003 were a success to the Centre Party, and its leader Matti Vanhanen[63] formed a coalition cabinet (2003–2007) with the social democrats and the RKP. In 2004 the government proposed reforms

58 HE 124/1995.

59 PTK 1995, 1761–1762.

60 PTK 1995, 3041.

61 PTK 1995, 3057–3058.

62 HE 171/2001.

63 Anneli Jäättenmäki's Centre-SDP-RKP cabinet was very short-lived (17. April, 2003 to 24. June, 2003) and did not leave finger prints in Finnish social policy.

on the Sickness Insurance Act.[64] Perhaps the most notable reform presented by the government was an increase of more than 30 per cent to the minimum daily allowance.[65] The successive right-to-centre coalition (Vanhanen's second government 2007–2011) introduced yet further improvements in minimum allowances.[66]

Furthermore, Vanhanen's second cabinet nominated a special committee (SATA-committee) to sketch a 'total reform' programme for social protection in Finland. The committee began its work in 2007 and delivered its report in 2009. The committee was unable to take a unified stand on big issues and, therefore, the 'total reform' badly failed. However, important improvements in basic benefits were made: a guarantee pension was introduced, and all major basic benefits – including minimum sickness allowance – were tied to the national pension index, i.e., they will be automatically increased every year.[67] The subsequent, short-lived (2010–2011) Mari Kiviniemi's cabinet also implemented a number of decisions based on the SATA-committee's proposals. It remains to be seen what the present Jyrki Katainen's (National Coalition) 'six-pack'[68] cabinet accomplishes in the field of social policy. However, analysis of the six-pack's politics falls beyond the scope of this study.

Numbers and the analytic narrative of sickness insurance in Finland[69]

All in all, the historical narrative on sickness insurance in Finland provides strong support to theories emphasising the importance of politics.[70] But does a

64 HE 50/2004; Mattila, Yrjö (2011) *Suuria käännekohtia vai tasaista kehitystä? Tutkimus Suomen terveydenhuollon suuntaviivoista.* Helsinki: Kela, 256.

65 HE 164/2004.

66 HE 135/2008.

67 Sosiaali- ja terveysministeriö (2009) *Sosiaaliturvan uudistamiskomitean (SATA) ehdotukset sosiaaliturvan uudistamiseksi.* Helsinki: Sosiaali- ja terveysministeriö, 34–35.

68 The 'six-pack' coalition cabinet consists of the National Coalition, the SDP, the Greens, the Left Alliance, the Swedish People's Party and the Christian Democrats.

69 This section is based, to a large extent, on the article by Haataja, Anita, Honkanen, Pertti & Kangas, Olli (2010) 'Politiikka ja perusturva'. In Taimio, Heikki (toim.) *Hyvinvointivaltion suunta – nousu vai lasku?* Helsinki: Työväen Sivistysliitto, 56–71.

70 Korpi, Walter (1978) *The Working Class in Welfare Capitalism. Work, Unions and Politics in Sweden*. London: Routledge & Kegan Paul; Stephens, John D. (1979) *The Transition from Capitalism to Socialism.* London: Macmillan; Esping-Andersen, Gösta (1985) *Politics against Markets. The Social Democratic Road to Power*. Princeton: Princeton University Press; Baldwin, Peter (1990) *The Politics of Social Solidarity: Class Bases of the European Welfare State 1875–1975*. Cambridge: Cambridge University Press; Lundberg, Urban (2003) *Juvelen i kronan: socialdemokraterna och den nya pensionen*. Stockholm: Hjalmarson & Högberg.

numerical exercise, i.e., an analytic narrative lead to the same conclusions? Is political history replicated in numbers? The analysis focuses on the development of daily sickness allowances from 1964 to 2010. We are interested in whether the governments' power relations are reflected in basic and earnings-related sickness benefits. Even though historical reviews may indicate that political power is important, it may be that a numerical analysis proves otherwise. There are many reasons for this. For example, economic cycles, the level of unemployment and other economic factors condition decision-making related to social policy to such an extent that the role of politics is blurred. A separate question, cherished by political scientists, is whether election years create an incentive for the cabinet to improve benefits in order to maintain its popularity among the voters[71]. Based on the above, we assume that:

H1: Minimum daily allowance is increased during Centre-led governments.

H2: Earnings-related benefits are increased during SDP (or National Coalition) -led governments.

H3: Benefits are more likely to be improved during election years.

Political variables reflect the balance of power in the government and in the parliament. For the key parties (National Coalition Party, Agrarian League/ Centre Party, SDP, SKDL/Left Alliance, 'others') we calculated the annual shares of seats in the government and in the parliament and weighted them with the number of days they had kept their seats. In our analysis, we pay particular attention to the impact of the prime minister's party affiliation which mirrors the importance of the party in the cabinet

Politics is not carried out in a vacuum. Matters such as economic cycles, unemployment and globalization condition opportunities for political choices.[72] A party may have forcefully insisted on reforms but gloomy economic prospects may circumscribe all possibilities to carry out those reforms. For this reason, we run regression analyses, where the effects of economic variables

71 E.g. Paloheimo, Heikki, Wiberg, Matti & Koiranen, Hannu (1993) 'Hallitus ostaa ääniä – ja kansa maksaa. Poliittiset suhdannevaihtelut Suomessa'. *Politiikka* Vol. 35, No. 2, 77–93.

72 Kettunen, Pauli (2011) 'Transnational construction of national challenges: the ambigous Nordic model of welfare and competitiveness'. In Kettunen, Pauli & Petersen, Klaus (eds) *Beyond Welfare State Models: Transnational Historical Perspectives on Social Policy.* Cheltenham: Edward Elgar, pp. 16–40.

were controlled for.[73] The results of these analyses are discussed in the text, but for space considerations the regression models are not presented here.

Sickness insurance refers to both the minimum and the earnings-related sickness allowance. Empirically, the most straightforward way is to measure the direct effect of a policy to the absolute level of the minimum daily allowance. We start with this approach. Minimum benefits (in absolute terms) have been deflated to the level of 2010 via consumer price index (CPI). In addition, we relate minimum benefits to average wages (current benefit / current wage, %) to see the development of the compensation level of minimum security in relation to average wages.

Measuring levels and changes in income-related benefits is more difficult than measuring the changes in minimum allowances. In most comparative studies the compensation level of earnings-related benefits is measured in relation to average wage.[74] This is the case also in Figure 1, which in addition to absolute benefits in euros shows the compensation level of earnings-related daily allowances (net allowance / average net wage), as well as the compensation level of the minimum daily allowance (net minimum daily allowance / average net wage, %). Also the prime minister's party affiliation has been added to the figure to give a general picture of the relationships between the colour of the cabinet and outcomes in sickness benefits.

Figure 1 reveals a number of interesting things. First, it depicts the dramatic decline in income-loss compensation towards the end of the 1970s. In the case of an average employee, the compensation level (displayed in the right-hand axis) declined by nearly 40 percentage points – from 70 per cent to nearly 30 per cent. One should remember, however, that during sickness most employees received a sick pay that covered the loss of earnings for a time period defined in collective agreements. Since we concentrate here on legislated benefits and neglect the impact of collective schemes, the magnitude of the change is somewhat exaggerated. Second, the picture depicts the huge increase in income-related benefits that the SOVE reform in 1982 caused. Third, the figure also displays how the compensation level in income-related benefits has gradually decreased from about 85 per cent in 1990 to close to 70 per cent in 2011. Fourth, there has been a downward trend in the compensation level of the minimum allowance: from nearly 30 per cent in the early 1970s to 20 per cent in 2011. During the last Centre-led cabinets some increases in

73 More about variables and methods, see Haataja et al. 2010.

74 see e.g. Social Citizenship Indicators Project (SCIP) and Comparative Welfare Entitlements Dataset at http://sp.uconn.edu/~scruggs.

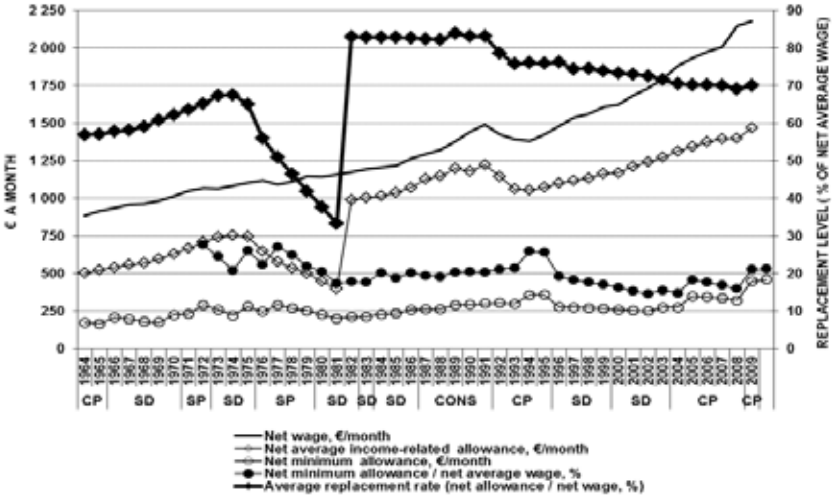

Figure 1. Trends in minimum and earnings-related daily allowances and in the average wage (2010 euros per month) and the relation of net daily allowances to net average wage (%).

the absolute levels of minimum benefits have taken place – first in 2004 and then in 2009.

Table 1 shows the relation of sickness insurance benefits to the prime minister's party affiliation and election years. The reforms are linked to the government that made the proposal for a change in legislation. In addition, we examine changes with a one-year delay, in order to see if the party affiliation of the previous year's prime minister affects the following year's levels of sickness benefits.

The numerical display – or analytic narrative, if you like – in the table clearly provides support for the hypotheses H1 and H2. The minimum daily allowance has improved during Centre-led governments (H1) and income-related benefits during SDP-led governments (H2).[75] The results are consistent with the ideographic historical narrative. Also the notion about improving benefits during election years (H3) seems valid in the case of minimum benefits. When it comes to earnings-related benefits, the effect of the election year is more unclear, which may be due to the fact that changes in earnings-related benefits are dependent on many other factors than those directly related to

75 The role of the National Coalition remains more unclear, partially because there has only been one government (Harri Holkeri's Conservative-SDP coalition 1987–1991) led by the National Coalition Party.

benefits, e.g., increases in wages, the inflation rate and tax rates have their impact. Thus, the impact of the government is more indirect and blurred.

Table 1. Prime minister's party affiliation, election year and annual changes in the sickness benefits

	Prime minister's party affiliation				Election year
	National Coalition Party	Centre Party	SDP	All years	
Annual change (%) in minimum daily allowance (2010 prices)1964–2010	3.0	6.1	0.6	2.9	9.2
Delayed by a year	4.6	9.7	-2.0	2.9	0.7
Annual change in minimum daily allowance/average wage (% points) 1972–2010	0.0	0.7	-0.9	-0.2	0.0
Delayed by a year	0.3	1.3	-1.5	-0.2	-0.1
Annual change in earnings-related daily allowance/average wage (% points) 1964–2010	-0.1	-2.0	1.6	0.0	-1.0
Delayed by a year	-0.1	-2.0	1.5	0.3	4.9
Annual change in cut-off points (%) 1974–2010	1.4	-0.4	1.4	0.8	2.2
Delayed by a year	1.2	0.1	1.4	0.8	0.4
Unemployment percentage 1964–2010	4.5	8.2	6.2	6.6	6.2
Annual change in GNP (%) 1964–2010.	1.2	1.7	3.7	2.7	3.2

In the table, the linkages between politics and benefits are shown as a relation between two variables. These bivariate connections may be misleading in the sense that they may be due to a third intervening factor. To control for the impact of intervening variables, we constructed a simple multivariate model, where, in addition to political variables, we included growth in GDP and the rate of unemployment. Alternative analyses were also made by substituting the prime minister's party affiliation with the shares of seats in the government and seats in the parliament and, to sort out parties' strengths, with various combinatory variables that included both. These adjustments did not change the basic message of Table 1. Although the inclusion of GDP and unemployment decreased differences between the parties, those differences

nevertheless remain systematic. This makes sense. Pauli Kettunen[76] has shown how national social policy making is conditioned by transnational economic processes. However, those processes are not automatic forces but they must be interpreted by political agents and transformed into national politics. Therefore, politics matters. All in all, the history of Finnish sickness insurance can fairly conveniently be summarised in the way illustrated in Table 1. Although many of the intricacies documented in the detailed ideographic and thick storytelling may disappear in a numerical analysis, 'the grand narrative' is very much the same.

Narratives and numbers: politics matters

The birth of the Finnish sickness insurance system was a long and variegated process and, seen from an international perspective, the first law was accomplished very late. In no other European country was the creation of sickness insurance postponed for such a long time. In this, the Agrarian League exerted an especially important influence: the agrarians were successful in blocking all early attempts to establish sickness insurance in the limited form of a workers' insurance covering only workers, or at best, blue- and white-collar workers. The Finnish form of parliamentarism with strong minority regulations offered the agrarians veto points[77] to rule out all initiatives on such limited schemes. On the other hand, the Agrarian League also played an essential role in the coverage of the insurance: the first law was universal and covered the entire population. In that sense, the first Finnish law was perhaps the most radical reform in the history of sickness insurance worldwide.

There has been a lot of debate over whom the credit for the universalism of Nordic social security belongs to. In Scandinavia, Social Democratic parties have often been credited for it.[78] However, in Finland it has been the Agrarian League that has been the most ardent supporter of universal benefits, whereas the social democrats have been more in favour of a workers' insurance model with limited coverage.[79] On the other hand, the communists and left-wing socialists grouped in the SKDL have traditionally wanted to exclude the well-

76 Kettunen 2011.

77 Immergut 1992.

78 e.g., Korpi 1978; Stephens 1979; Esping-Andersen 1985.

79 cf. Therborn, Göran (1986) 'Neo-Marxist, Pluralist, Corporatist, Statist Theories and the Welfare State'. In Gatzansicil, Ali (ed.) *The State in Global Perspective*. Aldershot: Gower, 204–231; Kangas 1991.

offs from the coverage. Thus, on the basis of Finnish history it is difficult to credit the leftist parties for the universal character of Nordic social policy.

Is universalism then a merit of the agrarians? No and yes. The other Nordic countries ended up with systems of comprehensive coverage as well, even though their agrarian parties were not as politically influential as in Finland. It is thus probable that Finland, too, would have ended up with a Nordic level of universalism, even if the sickness insurance had initially been created in accordance with the proposals of early committees or with the bills proposed by Tanner's government at the end of the 1920s or Tuomioja's government in the 1950s. As in Norway[80], new population categories would gradually have been added to the insurance, which would have resulted in a universal scheme. However, it was undisputedly due to the influence of the Agrarian League that sickness insurance was extended to cover also the parts of the population without earnings. Precisely as shown by Peter Baldwin[81], Nordic universalism was not achieved because of solidaristic sentiments among the working class parties, but because the influential agrarian parties – due to their self-interest– did not accept excluding their constituents from statutory benefits.

As regards minimum benefits, our narratives whether ideographic or analytic give more credit to the agrarians than to the social democrats. But by the same token, it was in accordance with the agenda of the Centre Party that Finnish sickness insurance, affected by the inflation of the 1970s, moved from an earnings-related system to a genuine flat-rate one. The 1982 SOVE reform – mostly backed by the social democrats and social partners – then introduced full income relatedness without any benefit ceilings. As the reform proved to be costly, various cut-off points were soon introduced. These cut-off points offered possibilities for the government to manipulate the earnings-related daily allowance during the crisis of the 1990s. Whereas Aho's right-of-centre government reduced income-related compensation levels more than once, Lipponen's rainbow government cut minimum benefits. Even though Lipponen's second government restored the minimum daily allowance once the economic situation had improved, it was not until the return of power to the Centre that actual improvements in minimum benefits were carried out.

While it may be safe to assume that the Agrarian League/Centre Party has supported universalism and the SDP, for its part, employees' benefits, the preferences of the other parties are not as clear. Also in this question the policies of the SKDL/Left Alliance have balanced between basic and earnings-

80 Seip, Anne-Lise (1994) *Veiene til velferdsstaten. Norsk sosialpolitikk 1920–75*. Oslo: Gyldendal.

81 Baldwin 1990.

related benefits. As far as improving earnings-related benefits is concerned, the party has been more reserved than SDP, wanting – like the Agrarian League/Centre – to introduce benefit ceilings in the name of equality and social justice. In the party's earlier rhetoric there were demands for leaving high-income earners outside the coverage, which would have corresponded to the practice that was, and still is, prevalent in many Central European countries. The National Coalition Party has often aligned itself with the SDP, while constantly warning about the 'too excessive' costs of the reforms. Other parties' policies have settled in between these extremes.

The story is the same, whether we examine the issue through a multifaceted kaleidoscope of historical stories, or quantitatively, squeezing the thick narrative in a parsimonious analytic narrative presented in a few tables. The conclusion is that politics matters and the 'grand narrative' of Finnish social policy can be clearly distinguished in both aforementioned ways. The Social Democrats have been the strongest proponents of earnings-related benefits and the Agrarian League/Centre Party has defended minimum daily allowances. The other parties have balanced between these two policies. These political considerations have created a distinctive whole, which, as far as its generousness is concerned, is of the average European level, but with respect to its coverage is one of the most comprehensive schemes in the world.

Abbreviations used in Parliamentary documents

EE – (*Eduskuntaesitys*) Private Member's Legislative Motion

HE – (*Hallituksen esitys*) Government Bill

KK – (*Kirjallinen kysymys*) Written Question (to a Minister)

KM – (*Komiteamietintö*) Committee Report

LA – (*Lakiasia-aloite*) Private Member's Legislative Motion

PTK – (*Eduskunnan pöytäkirjat*) Minutes of the Plenary Session of the Parliament

RA – (*Raha-asia-aloite*) Private Member's Budget Motion

TA – (*Toivomusaloite*) Private Member's Request Motion

TyöVM – (*Työväenvaliokunnan mietintö*) Memorandum of the Committee for Labour Affairs

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COMPARISON, MEASUREMENT, AND ECONOMIZATION
The origin of the retirement age of 65 in Finland

MATTI HANNIKAINEN

Pauli Kettunen writes how the educated elite in Finland used international comparisons when they defined socio-political tasks from the latter half of the 19th century onwards.

> *The outside world provided a framework of external preconditions and constraints, hopes and threats, as well as impulses but also alarming ideas, models but also warning examples, points of reference but also boundaries of the possible.*[1]

Comparisons were outstandingly visible in the reports of the committees for social insurance. Various state committees were an important institution to prepare reforms, not only in social policy but also in the other fields of society. The committee members wanted to avoid mistakes made elsewhere and adopt good practices from more developed countries. In addition to a comparative perspective the committee reports included two other important elements which reflected the new kind of modern society: the measurement of society and the economization of social reforms. These three dimensions have remained the essential features of socio-political planning over one hundred years.

As well as in the other latecomer countries, 'the advantages of backwardness' were, therefore, consciously utilized in Finland. According to Alexander Gerschenkron (1962), the more backward a country is, the faster the potential growth of industrial output; the more backward a country is, the more important a role the state plays in creating the preconditions for development.[2] Taking into account future challenges and what happened in other countries,

1 Kettunen, Pauli (2006) 'The Tension between the Social and the Economic: A Historical Perspective on a Welfare State'. In Ojala, Jari, Eloranta, Jari & Jalava, Jukka (eds.) *The Road to Prosperity: An Economic History of Finland*. Helsinki: Suomalaisen Kirjallisuuden Seura, 288.

2 Gerschenkron, Alexander (1962) [1952] *Economic Backwardness in Historical Perspective: A Book of Essays*. Cambridge, Mass.: The Belknap Press of Harvard University Press.

governments promoted the move to the 'new phase of development', using the terminology of Simon Kuznets' (1966) findings of modern economic growth.[3]

This article analyses pension planning in Finland in the late 19th and early 20th centuries. First of all the state committees for social insurance had the most fundamental issue to be solved: should social insurance be compulsory or voluntary? The opinion changed between the first two committees. The choice made in the latter committee in 1908 was reflected in the stylized way that Kettunen calls 'an avant-gardism of the educated elite of the peripheral country'.[4] Moreover, the committee reports created the foundations for three dimensions in the social planning mentioned above: international comparisons, the measurement of society and the economization of social reforms. These were outstandingly visible in defining of an old-age retirement age. In this question the most important disagreement also appeared in the committee.

This article is organized so that after sketching the forms of old-age security in the industrializing agrarian economy, the question of a compulsory versus a voluntary pension scheme will be examined. It is followed by an analysis of the retirement age in the pension committee report in 1908. The proposed system did not come in force but it created the foundation for later development. The last section entitled 'History matters' shortly describes changes in the retirement ages and reminds us how the retirement age of 65 is again, over 100 years later, a central topic in pension policy.

Old-age security in the industrializing agrarian economy

Social planning was connected to the profound changes in a society. Population growth, changes in land ownership circumstances and industrialization, which gave rise to a wage-work society, gradually broke up the agrarian rank society. This kind of society was an economically, politically and socially overtly unequal class society.[5] People had unequal rights and duties which were also visible in the forms of livelihood. The questions surrounding old-age and other forms of social security were reflected largely by social rank.

3 Kuznets, Simon (1966) *Modern Economic Growth: Rate, Structure, and Spread.* New Haven, Conn.: Yale Univ, Press.

4 Kettunen, Pauli (1994) *Suojelu, suoritus, subjekti: Tutkimus työsuojelusta teollistuvan Suomen yhteiskunnallisissa ajattelu- ja toimintatavoissa*. Helsinki: Suomen Historiallinen Seura, 35.

5 Wirilander, Kaarlo (1974) *Herrasväkeä: Suomen säätyläistö 1721–1870*. Helsinki: Suomen Historiallinen Seura; Haapala, Pertti (2010) 'Vallan rakenteet ja yhteiskunnan muutos: Mielikuvaharjoitus 1800–2000-lukujen Suomesta'. In Pietikäinen, Petteri (ed.) *Valta Suomessa.* Helsinki: Gaudeamus, 27–28.

During the transition period to the modern society people transferred from agriculture into more productive work in manufacturing and services. In 1900 industrialization had already started but the employment share of primary production was still 70 per cent. Fifty years later, almost half of the population still earned their living from agriculture, forestry and fishing. By comparison with Western European nations, Finland experienced 'belated' structural change.[6]

The juridical status of the employment contract also changed in the second half of the 19th century. This liberalist transformation meant 'the birth of the modern wage-worker' as Sakari Heikkinen has defined the change. The old paternalistic institution of legal protection and compulsory service—a master-servant relationship—was gradually replaced by a bilateral and voluntary contract between the employer and employee.[7]

The new kind of society and the growth dynamics adversely affected many people. Structural change and economic fluctuations increased the need for the new forms of social security because the established rural social safety nets were not suitable and sufficient for people earning their living from manufacturing and service. The change was not, however, sudden or revolutionary and took place over several decades. This was also visible in the forms of social security and social planning: old and new institutions entwined with each other.

Livelihood in old age was arranged in different ways in different parts of rural Finland. A traditional life-annuity ('syytinki') was common in southern and western Finland. It was an agreement by which the owner surrendered his farm (real estate) to another person—often his son—in exchange for free board and keep on the farm for himself and his spouse for the rest of their lives. In eastern and northern Finland, extended family households consisting of several married couples were more common.[8] Measured by the standards of those days, these institutions offered a reasonable livelihood which varied based on how prosperous the farm was and how successful the crops were.

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6 Hjerppe, Riitta (1989) *The Finnish Economy 1860–1985: Growth and Structural Change*. Studies on Finland's Economic Growth XIII. Helsinki: Bank of Finland Publications, Government Printing Office; Hannikainen, Matti & Heikkinen, Sakari (2006) 'The Labour Market, 1850–2000'. In Ojala, Jari, Eloranta, Jari & Jalava, Jukka (eds.) *The Road to Prosperity: An Economic History of Finland*. Helsinki: Suomalaisen Kirjallisuuden Seura, 166–170; Haapala, Pertti (2006) 'Suomalainen rakennemuutos'. In Saari, Juho (ed.) *Historiallinen käänne: Johdatus pitkän aikavälin historian tutkimukseen.* Helsinki: Gaudeamus, 91–124.

7 Heikkinen, Sakari (1997) *Labour and the Market: Workers, Wages and Living Standards in Finland, 1850–1913.* Helsinki: The Finnish Society of Sciences and Letters, 25–31.

8 Charpentier, Axel (1896) *Om sytning*. Helsingfors; Waris, Elina (1999) *Yksissä leivissä: Ruokolahtelainen perhelaitos ja yhteisöllinen toiminta 1750–1850*. Helsinki: Suomalaisen Kirjallisuuden Seura.

A traditional life-annuity reflected, partly, traditional attitudes when it was time to stop regular working. It is probable that it also had a kind of connection to the farmers' working ability. In Pohjanmaa (Ostrobothnia, western Finland) the starting age of a traditional life-annuity was on average 58.6 years in 1810–1914 and a traditional life-annuity spanned over an average of 12 years. In the province of Satakunta (also in western Finland) the corresponding figures were 56.8 (1800–1913) and spanned 16 years (1863–1899). The figures went up at the end of the period. In the assembly of the Diet in 1863–1864 it was discussed that farmers started a traditional life-annuity too early. One representative even presented that the lowest starting age of a traditional life-annuity should be 60 years. This kind of regulation, however, was not realized.[9]

It is worth noting that when Finland was under Swedish rule, there was an established praxis of maintenance for state officials. This was formalized in 1788 when the monarch promised to provide for 70-year-old officials who had lost their working capacity. However, the pensionable age was sliding downward during the 19th century. Officials with a permanent post in Finland under the Russian Empire were granted a pension in 1826. Initially, the pensionable age was 65 years after 35 years in service, but was reduced to 63 years in 1866. State officials had not, however, a mandatory age of retirement ('pakollinen eroamisikä') before the Constitution Act of 1919.[10]

In addition to state officials there were also other institutions which provided old-age security. Although the bourgeoisie and the craftsmen had mutual funds that offered security for, in particular, widows and children, these funds were also used for members who had lost their working capabilities. The length and amount of support was decided by the board and depended on the assets of the fund. The model of these funds corresponded to similar institutions in Sweden as well as elsewhere in Europe.[11]

There were also various degrees of pension regulations in municipalities. For instance in Helsinki (1911), it was possible to obtain a full pension at the age of 63 years after 30 years in service. For firemen and nurses the retirement

9 Koskikallio, Onni (1927) *Maatalouskiinteistöjen eläkerasituksesta Pirkkalan ja Ruoveden tuomiokunnissa vuosina 1800–1913.* Helsinki: Suomen maataloustieteellinen seura, 29–31; Jutikkala, Eino (1958) *Suomen talonpojan historia.* Helsinki: Suomen Historiallinen Seura, 325–326.

10 Kungl. Maj:ts Förordning om den förbättrande Embets- och lösnings-Staten den 24 januari 1788; Ståhlberg, K. J. (1928) *Suomen hallinto-oikeus: Yleinen osa.* Helsinki: Otava, 227; Willgren, Karl (1934) *Den historiska utvecklingen av Finlands förvaltningsrätt.* Helsingfors: Söderström & C:o förlagsaktiebolag, 136–137; Rytkölä, Olavi (1948) *Valtion vakinaisten virkamiesten palkkaus- ja eläkeoikeus.* Helsinki: Suomalainen lakimiesyhdistys, 44–48.

11 Kuusi, Eino (1931) *Sosialipolitiikka I–II.* Porvoo: WSOY; Jaakkola, Jouko (1993) 'Kun valtio ei auttanut: Työväen keskinäinen apu Suomessa'. In Haapala, Pertti (ed.) *Hyvinvointivaltio ja historian oikut.* Tampere: Työväen historian ja perinteen tutkimuksen seura, 25–56.

age was 50 years.[12] In addition, in Lutheran countries in which priests were allowed to marry, the livelihood of a priest's widow and children was secured in different ways.[13] The pension institution for seafarers was founded in 1879. Here, the entitlement to an old-age pension was at the age of 55 after 20 years membership in the pension fund.[14]

Along with industrialization, sickness and pension funds were established in the factories of the mid-19th century. Workers' relief funds were based on the previously established craftsmen's funds and also on the old farm owners' maintenance liability within agrarian society. Workers' relief funds were usually financed through employer and employee contributions.[15] The entitlement to an old-age pension started on average at the age of 55–60. At least 10 years membership was usually required. Alternatively, the highest age when the membership should start was defined. This was typically at the age of 40 years.[16]

Because of changes in land ownership circumstances, industrialization and urbanization, the growing part of the population did, however, not belong to any relief institutions. In rural areas this concerned especially the landless population in agricultural, forestry and floating work, and in urban areas outdoor workers, i.e. skilled and unskilled building workers, dockworkers and other casual workers. Furthermore, in the fastest growing wage-worker group, i.e. employees in manufacturing, relief funds covered only part of the employees, and pensions especially were often very modest. In favourable cases the elderly and those lacking the capacity to work performed lighter tasks or assisted family members or other relatives. For some people, municipal poor relief was the first and only, and for others the last, form of subsistence security resorted to.

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12 Blomster, Peter (2004) *Kunnallisen eläketurvan historia: Kuntien eläkevakuutus 1964–2004.* Helsinki: Kuntien eläkevakuutus, 24–48.

13 Widén, Solveig (1990) *Änkekassa och samhällsklass sociala strukturomvandlingar inom tre änke- och pupillkassors delägark*årer *i det svenska riket 1741–1783.* Åbo: Åbo Akademis förlag.

14 The Parliament closed down the seafarers' pension organization in 1936 because of its financial difficulties. Pension provision for seafarers was rearranged through legislation in 1956. Hoffman, Kai (1974) *Merimieskirstusta eläkelaitokseen: Merimieseläkejärjestelmän historia vuosina 1748–1936.* Helsinki: Merimieseläkekassa.

15 Jaakkola, Jouko (1994) 'Sosiaalisten kysymysten yhteiskunta'. In Jaakkola, Jouko, Pulma, Panu, Satka, Mirja & Urponen, Kyösti *Armeliaisuus, yhteisöapu, sosiaaliturva: Suomalaisen sosiaalisen turvan historia.* Helsinki: Sosiaaliturvan keskusliitto, 151–153.

16 The figures have been calculated from the report of the workers' relief funds in 1899–1902 published by Statistics Finland. SVT XXVI B. *Apukassat vuosina 1899–1902*, Helsinki 1905.

Compulsory versus voluntary insurance

The first state committee for workers' social insurance ('työväenvakuutuskomitea') was already founded in the late 1880's.[17] The committee argued for the employers' responsibility to compensate for industrial accidents. The Workers' Compensation Act (1895) primarily concerned dangerous manufacturing work, excluding agricultural and forest work, the biggest industries in the Finnish countryside. As Kettunen has emphasized, Finland was not a latecomer: although compulsory industrial accident insurance was legislated before Finland in Germany 1884, in Austria 1887 and in Norway 1894.[18]

The committee argued (1892) that 'the stage of development' in Finland was not yet appropriate for compulsory sickness and pension insurance. They prevented 'the progress of the nation'.[19] According to the committee, compulsory insurance created a corrupt incentive to the individual responsibility. The committee believed that compulsory sickness insurance would increase 'the pretence of sicknesses'. Moreover, the coverage of insurance would be very low, only 1.5 per cent of the population. In addition to the agrarian population, outdoor and domestic workers should be omitted from insurance. Since municipal poor relief already gave some support to sick people, new public and compulsory institutions were not deemed to be necessary. Instead, it was important to support the favourable development of the workers' voluntary relief funds.

The minority of the committee supported, however, compulsory sickness insurance. According to them, it was important that the state encouraged an individual obligation to provide for himself and his family. It was also fair for those employees, 'the best elements of workers', who had paid contributions to the voluntary relief funds. Therefore, the outsiders of relief funds should also in some way contribute to the cost of sickness. Otherwise they would probably apply for poor relief.[20]

17 KM 1892:5 & 1892:12; Hannikainen, Matti (2012) 'Teollistuvan agraariyhteiskunnan sosiaaliturva'. In Hannikainen, Matti & Vauhkonen, Jussi *Ansioiden mukaan: Yksityisalojen työeläkkeiden historia.* Helsinki: Suomalaisen Kirjallisuuden Seura, 34–41; Hellsten, Katri (1993) *Vaivaishoidosta hyvinvointivaltion kriisiin: Hyvinvointivaltiokehitys ja sosiaaliturvajärjestelmän muotoutuminen Suomessa.* Helsinki, 147–152, 164–168.

18 Kettunen 1994, 46–55 & Kettunen 2006, 45; KM 1892, 10.

19 'Järjestelmän, joka niin muodoin edistää yksityisten omantakeisen toiminnan hervastuttamista, täytyy ehdottomasti ehkäistä kansan yleistä edistystä.' KM 1892:5, 5–34.

20 KM 1892:5, 77–92.

Compulsory pension insurance did not gain any support in the committee. In the transition stage from the agricultural and paternalistic society to the modern wage-worker economy, it was difficult to define and collect enough pension contributions.[21] Many workers had multiple occupations in the several sectors of the economy and they still received a part of their reward in kind.[22]

The disability insurance committee ('invaliditeettivakuutuskomitea') was founded in 1904 and the final report was published in 1908. This committee adopted a totally different position on the question of compulsory versus voluntary insurance. Because the law obliged an able-bodied person to work and in this way to maintain himself and keep his family, it was, according to the committee, also possible to oblige them to pay insurance contributions. Insurance helped to carry out the first and more profound principle: to maintain oneself by working.[23]

According to the committee, the experiences from the workers' relief funds did not support voluntariness. Although 'the most advanced level' workers understood the significance of voluntary insurance, many tried to manage with their own savings and without a membership in a relief fund. The majority of workers were not, however, at 'this level of development'. Instead those people, who were most in the need of assistance, did not often belong to any relief fund and, moreover, had not enough savings.

According to the committee, it was difficult to see how voluntary funds could be sufficient in Finland when they were not in the more civilized and wealthier nations. As such, the committee found support for compulsory insurance from the other European countries and presented three comparative arguments: The example from compulsory insurance was positive, the experiences from voluntary insurance were, as well as in Finland, less encouraging and, thirdly, there were currently many plans for compulsory insurance in Europe.

The best example was Germany where the compulsory pension scheme for wage-workers had been in force since 1891 (Act 1889). Almost 14 million of 15 million wage-workers were included to the scheme at the end of 1905. It was 23 per cent of the 60-million population. The committee argued that the compulsory insurance for workers was seen in Germany as 'a great blessing'.[24]

21 KM 1892:12, 2–14.

22 Heikkinen 1997, 42.

23 Invaliditeettivakuutuskomitean mietintö ja ehdotukset (V, 1908); Peltonen, Matti (1992) *Talolliset ja torpparit: Vuosisadan vaihteen maatalouskysymys Suomessa*. Helsinki: Suomen Historiallinen Seura, 47–50.

24 Invaliditeettivakuutuskomitean mietintö ja ehdotukset (V, 1908), 14–15.

Proposals for compulsory pension schemes increased in Europe in the early 1900s, also in the countries which were previously in favour of voluntariness. For instance in France, only the small minority of manufacturing employees was members in a voluntary relief fund. In Britain, almost half of the workers over 65 years old received poor relief despite friendly societies and relief funds organized by the trade union. There were also poor experiences from voluntary insurance in Italy and Belgium. Moreover, the committee mentioned Holland, Austria, Norway and Sweden where the committee proposals and the government bills for compulsory pension insurance had been made from the 1890s onwards.[25] A similar message was told in the international social insurance conference in Rome in 1908. The principle of compulsory insurance was 'entirely' won among the congress representatives.[26]

According to the plan made in the Finnish pension committee, compulsory insurance did not involve everyone, only at least 15-year-old 'permanent' wage-workers. Compulsion did not involve civil servants and clerical workers or casual workers. Entrepreneurs, farmers and crofters were also kept away from compulsory insurance. They had, however, an opportunity to pay voluntary pension contributions. Earnings-related pension contributions would be equally footed between employers and employees. In addition to an earnings-related part, an equal-sized amount of money would be paid to all insured. The proposed system would be administrated, besides compulsory industrial accident insurance, by one public pension provider.

Disability pension and retirement age

The model for the Finnish pension committee in 1908 was the German pension system. In Germany, the compulsory pension insurance scheme primarily meant disability pensions. Originally entitlement to a disability pension had required a total incapacity to work, but this was replaced by the concept of two-thirds incapacity. It was measured by an inability to earn one-third of the applicant's previous wages and an inability to earn one-third of the normal wages of ordinary labourers in the locality.[27]

25 Invaliditeettivakuutuskomitean mietintö ja ehdotukset (V, 1908), 11–14.

26 'Kansainvälinen työväenvakuutuskongressi Roomassa', *Vakuutussanomia* 12/1908, 12.

27 Hennock, E. P. (2007) *The Origin of the Welfare State in England and in Germany, 1850–1914: Social Policies Compared*. Cambridge: Cambridge University Press, 193.

Moreover, it was possible to retire at the age of 70, although an employee still had the ability to work. This had not, however, a big significance in practice because the majority of insured workers became unable to work before reaching this age. The Finnish pension committee reported that 814 575 persons had an entitlement to a disability pension and 125 603 to an old-age pension in Germany at the end of 1906.[28]

In Finland, the main goal was, too, to create a system that insured against disability. However, a direct and practical method to measure the ability to work was difficult to find. As well as in Germany, an indirect and rather complicated method was chosen: inability to earn one-third of the wage in the same work in which an insured had previously worked in the locality where an insured had mostly worked during the last five years. Moreover, a wage comparison should be done to healthy workers with the same working ability and working skills that an insured had previously had. Therefore, it is noteworthy that the committee presented, instead of general disability, the concept of occupational disability.

The committee argued that an age should not, in principle, be the reason to get a pension because the idea of pension insurance was to secure a livelihood for those who could not any longer earn their living by their own work. However, it was fair to also give a pension for those who had worked their whole life and, in this way, benefitted the society, although they did not lose their working ability.

The problem was how this age should be defined. It seemed apparent that an age limit would be too low for some people and too high for others. If a retirement age would be so low that it also took into account those workers who lost their working ability at a relatively low age, there would be a large amount of healthy and able workers enjoying pensions. This was not possible for financial reasons. If an old-age retirement age was high, as it was in the German case (70 years), it would lose its significance.

The pension committee collected the statistical data on the incidence of disability from the five Finnish municipalities: Tuusula which is near Helsinki, Humppila in Western Finland, Kymi and Räisälä in South-East Finland and Vihanti in Northern Finland (near Oulu).[29] The committee did not choose any municipality from the area where poverty had traditionally been highest, i.e. in Savo and Kainuu (both in Eastern Finland). The following figures do not

28 Invaliditeettivakuutuskomitean mietintö ja ehdotukset (V, 1908), 25.

29 Väestö, invaliditeetti- ja tulosuhteet Tuusulan, Humppilan, Kymin, Räisälän ja Vihannin kunnissa vuonna 1903, Invaliditeettivakuutuskomitean julkaisut II, 1907.

include persons who had a traditional life-annuity from their farm or persons who had become disabled in an accident or before in the age of 16 years. The following figures show the percentage of disabled in each age group in 1903:

	Men %	Women %
56–60	5.5	9.9
61–65	10.4	13.2
66–70	17.0	23.8
71–75	30.6	35.1
76–80	35.2	43.0

The data illustrated that the incidence of disability increased at the age of 65, and substantially so among people over 70 years. The committee argued that, also taking into account the poor economic capacity of the lowest stratum in the society, the suitable retirement age would be 65 years. Younger workers had an opportunity to get a disability pension if it was needed.

The pension committee admitted that when using the above figures a retirement age could be lower than 65. The committee presented, however, the figures on the cost of the proposed pension scheme. For them it was, again, needed an international perspective because the statistical data collected from the five Finnish municipalities was not satisfactory enough for the calculations about the disability and mortality rate of different age groups. In this case the comparison data was not from Germany but from Norway. Circumstances in Germany were so different from Finland that the data from Norway was more appropriate for the basis of the Finnish calculations. The Norwegian data, which had been collected from rural communities for the pension system to be planned in Norway, was five times bigger than the Finnish data.

The calculations made by the pension committee showed how pension contributions would grow if a retirement age was lower. In the proposed system an earnings-related part and an equal-sized amount of money would be paid to all insured. When the committee proposed that an equal-sized part would be 50 FIM a year, an average annual pension contribution would be:

6.15 FIM, if a retirement age is 70 years

9.90 FIM, if a retirement age is 65 years

20.75 FIM, if a retirement age is 60 years

85.20 FIM, if a retirement age is 55 years

Therefore, the committee demonstrated that the retirement age of 55 years produced more than eight times bigger pension contributions than the age of 65. Comparing 65 and 60 years in the latter case, pension contributions would be more than two times bigger. If an old-age retirement age would be 70 years, an average pension contribution would be two thirds of the reference value of 65.

When creating a long-term tradition for Finnish social policy, the committee suggested a cautious start. If the retirement age was 65, an average pension contribution would be 1.6 per cent of an average wage. The committee proposed that this sum would be equally footed between the employers and employees. Therefore, the employers share (0.8 per cent of wage) would be 60 per cent of the costs that compulsory industrial accident insurance cost on average in 1900–1906.[30] This also meant that the retirement age of 60 years would not be much more expensive for employers than industrial accident insurance.

The retirement age of 65 was too high for the Social Democrats, which was the biggest party in the Parliament. The Social Democrat member in the committee Emil Perttilä, the chair of the Social Democratic Party in 1905–1906, presented that the retirement age should be 55 years. Otherwise it would be 'the same as without insurance' and the new pension system would be 'the dread of workers because they have to pay contributions knowing that it is no use'.[31]

Perttilä followed the decision made by the Social Democrats. The working committee in the party conference in 1903 suggested a retirement age of 60 years but the address of Seth Heikkilä from Tampere reflected better opinions in the conference room: 'It would be nice to retire after 10 years in the almshouse'. The majority in the party conference supported 55 years.[32] It was possible that a 55-year-old worker had already worked 40 years.

30 Invaliditeettivakuutuskomitean mietintö ja ehdotukset (V, 1908), 54.

31 Invaliditeettivakuutuskomitean mietintö ja ehdotukset (V, 1908), 155.

32 *Toisen Suomen Työväen puoluekokouksen pöytäkirjat 1903*. Helsinki: Suomen Sosialidemokraattinen Puolue/Kansan Voima Oy:n Kirjapaino 1973, 56–67.

History matters

The pension plans proposed in the pension committee in 1908 did not come into force for many decades. The dissent of the political groups and the Russian administration's reluctance to introduce change prevented any major reforms, also in the other social policy areas besides pensions. However, the knowledge of social insurance increased in the society. Especially, this concerned the German pension system. Moreover, the calculations of pension costs were produced. It seemed apparent that to create a pension scheme which was economically and socially sustainable was not an easy task.

Pension arrangements were finally organized during a post-Depression economic boom in the latter half of the 1930s. In line with an industrializing agrarian society, the arrangements were the result of cooperation and a compromise between the Centre (agrarian) and the Social Democrats. Eventually, the retirement age was set to 65 years, although the Social Democrats supported 60 years. The national pension scheme has now been in force since 1939 (Act 1937), although it was radically reformed in 1957. The earnings-related pension schemes in the private sector came into force in July 1962 (Act 1961). The retirement age in this system was also 65 years.[33]

The discussion of an appropriate retirement age continued from the 1960s onwards. It was higher in the private-sector than in the public-sector, where supplementary pension arrangements and occupation-specific retirement ages involved practically all employees. Attention was paid to three issues above all: taking account of war-time active service periods, the retirement age of employees in physically heavy occupations, and elderly persons' problems of subsistence due to structural changes.

New possibilities for early retirement were introduced in the 1970s and 1980s. Concerning unemployment pensions, the lower age limit was originally 60 years, but it was later lowered to 55 years. From the middle of the 1980s onwards, there was a shift from structural-political bulk retirements to individual consideration. The lowest age of individual early retirement was set at 55 years. It was a disability pension to which lighter medical criteria were applied. Other new types of pension were the early old-age pension and the part-time pension. The lower age limit for an unemployment pension was raised gradually from 55 to 60 years. During the deep recession of the

33 Hannikainen 2012, 42–49; Vauhkonen, Jussi (2012) 'Kansaneläkeuudistus ja työeläkelain synty'. In Hannikainen, Matti & Vauhkonen, Jussi *Ansioiden mukaan: Yksityisalojen työeläkkeiden historia.* Helsinki: Suomalaisen Kirjallisuuden Seura, 51–91.

1990s, public-sector pensions were standardized with private-sector pension benefits.[34]

In the large pension reform in 2005, the old-age retirement age of 65, originally planned in the 1908 pension committee and firstly legislated in the 1937 National Pensions Act, was replaced in the earnings-related pension schemes by a flexible old-age retirement age of 63–68 years. In the national pension scheme, it still remained at 65 years. At the same time, individual early retirement was abolished and the unemployment pension was replaced with an improved unemployment allowance.

In recent years it has again been discussed, whether the lowest old-age retirement age should be 65 years instead of 63 years. The Social Democrats and the trade unions have been skeptical of the higher retirement age. However, international comparisons are made, effects of the reform are measured and costs are calculated. History matters.

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34 Hannikainen, Matti (2012) 'Joustava eläkeikä'. In Hannikainen, Matti & Vauhkonen, Jussi *Ansioiden mukaan: Yksityisalojen työeläkkeiden historia.* Helsinki: Suomalaisen Kirjallisuuden Seura, 197–235.

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DECLINE OF CIVIL SERVANT PRIVILEGE
A new look at the historical development of Finnish social policy[1]

TAPIO BERGHOLM

After the Second World War Finnish society experienced rapid structural change. These changes were turbulent. Employment shifted from forestry and agriculture towards industrial and service occupations and there was massive migration from peripheral countryside regions to more densely populated areas in Finland and Sweden during the 1960s and 1970s.

The making of the Finnish welfare state happened at the same time. This development has been discussed from many vantage points in earlier research and has generated a rich and voluminous literature. Structural changes in society, the corporatist settlement, the political process, hegemonic change, the actions of vanguard groups of workers, the initiatives of international organisations, the co-operation of Nordic civil servants and combinations of these have been offered as historical and sociological explanations for the

1 I am grateful for the comments and criticism of the editor Jussi Vauhkonen. I am indebted to Senior Lecturer Mary Hilson, who helped substantially with language and with the argument.

growth of the welfare state in Finland.[2] Pauli Kettunen has also taken part in this scholarly debate, often from a comparative Nordic perspective.[3]

Instead of explaining these legal reforms again the purpose of this paper is to make a new assessment of the underlying current of all these reforms. This paper argues that many reforms were actually extensions or enlargement of entitlements which were previously exceptional civil servant privileges. From child benefits legislation to holiday legislation and pension reforms former civil servant privileges gradually and partially became rights for ordinary citizens and workers.

It is common knowledge that Finnish social policy reforms enhanced equality. The other side of the coin – the decline of elite privilege – has until now been outside the spotlight of public debate and social science research.

2 Mansner, Markku (1984) '*Suomalaista yhteiskuntaa rakentamassa. Suomen Työnantajain Keskusliitto 1940–1956'*. Jyväskylä: Suomen Työnantajain Keskusliitto; Niemelä, Heikki (1988) *'Suomen kokonaiseläkejärjestelmän muotoutuminen'*. Kansaneläkelaitoksen julkaisuja, Helsinki: Kansaneläkelaitos; Mansner, Markku (1990) '*Suomalaista yhteiskuntaa rakentamassa. Suomen Työnantajain Keskusliitto 1956–1982'*. Jyväskylä: Suomen Työnantajain Keskusliitto; Hellsten, Katri (1993) '*Vaivaishoidosta hyvinvointivaltion kriisiin. Hyvinvointivaltiokehitys ja sosiaaliturvajärjestelmien muotoutuminen Suomessa'*. Helsinki: Sosiaalipolitiikan laitos; Smolander, Jyrki (2000) '*Suomalainen oikeisto ja "kansankoti". Kansallisen kokoomuksen suhtautuminen pohjoismaiseen hyvinvointimalliin jälleenrakennuskaudelta konsensusajan alkuun'*. Bibliotheca historica 63, Helsinki: SKS; Pesonen, Pertti & Riihinen, Olavi (2002) '*Dynamic Finland. The Political System and the Welfare State'*. (Studia Fennica, Historica 3), Helsinki: Finnish Literature Society; Bergholm, Tapio (2003) "Työmarkkinajärjestöt ja Suomen lapsilisäjärjestelmän synty." *Yhteiskuntapolitiikka* No 1 (2003): 63–76; Anttila, Anu-Hanna (2005) *Loma tehtaan varjossa. Teollisuustyöväestön loma- ja vapaa-ajan moraalisäätely Suomessa 1930- ja 1960-luvuilla*. Helsinki: SKS; Bergholm, Tapio (2005a) '*Sopimusyhteiskunnan synty I. Työehtosopimuksien läpimurrosta yleislakkoon. SAK 1944–1956'*. Keuruu: Otava; Bergholm, Tapio (2005b) 'Support to the Male Breadwinner or to the Responsible Mother: Employers, State and Trade Unions in the Making of the Finnish Welfare State 1947–1948'. In Prenninger, Alexander, Pellar, Birgitte, Garsha, Winfried R. & Himmelstoss, Eva (eds) *"Mercy or Right". Development of Social Security Systems. "Gnade oder Recht". Entwicklung der sozialen Sicherungsysteme*. ITH Tagungsberichte 39. Leipzig: Akademische Verlagsanstalt, 207–217; Kangas, Olli (2006) 'Politiikka ja sosiaaliturva Suomessa', In Tapani Paavonen-Olli Kangas. *Eduskunta hyvinvointivaltion rakentajana*. Helsinki: Edita, 2006: 189–366; Kangas, Olli (2007) 'Finland: Labor Markets against Politics'. In Immergut, Ellen M., Anderson, Karen M. & Schulze, Isabelle (eds) *The Handbook of West European Pension Politics*. Oxford: Oxford University Press, 248–296; Bergholm, Tapio (2007a) '*Sopimusyhteiskunnan synty II. Hajaannuksesta tulopolitiikkaan. SAK 1956–1969'*. Keuruu: Otava; Bergholm, Tapio (2007b) 'Suomen mallin synty', *Yhteiskuntapolitiikka* 5/2007, 475–492; Bergholm, Tapio (2009) 'The Making of the Finnish Model: the qualitative change in Finnish corporatism in early 1960s'. *Scandinavian Journal of History*, Vol. 34, No. 1, 29–48; Hannikainen, Matti & Vauhkonen, Jussi (2012) '*Ansioiden mukaan. Yksityisalojen työeläkkeiden historia'*. Hämeenlinna: Suomalaisen Kirjallisuuden Seura; Bergholm, Tapio (2012) '*Kohti tasa-arvoa. Tulopolitiikan aika. SAK 1969–1977'*. Keuruu: Otava; Uljas, Päivi (2012) *'Hyvinvointivaltion läpimurto. Pienviljelyhegemonian rapautumisen, kansalaisliikehdinnän ja poliittisen murroksen keskinäiset suhteet suomalaisessa yhteiskunnassa 1950-luvun loppuvuosina'*, Riika: Into Kustannus Oy.

3 Kettunen, Pauli (2001) 'The Nordic Welfare State in Finland." *Scandinavian Journal of History*, vol. 26 no. 3: 225–247; Kettunen, Pauli (2006) 'The Tension between Social and the Economic - A Historical Perspective on a Welfare State'. In Jari Ojala, Jari Eloranta & Jukka Jalava (eds) *The Road to Prosperity. An Economic History of Finland.* Jyväskylä: SKS: 285–313.

In this paper I will simultaneously offer a general interpretation and a partial description of how civil servant privileges were eroded in the making of the Finnish welfare state.

These earlier civil servant privileges trickled down to ordinary citizens even in the private sector, when social partners or – to use the term normally used in the Nordic countries - labour market parties started to negotiate not only wages and hours but also so-called social wages, i.e. child benefits, holidays and pensions. In all three of these benefits Finnish civil servants had had a substantial advantage in earlier periods. This gradually diminished due to the changes in industrial relations and also in connection with the changes in social policy after the Second World War.

The description, analysis and interpretations presented here are based mainly on my earlier research on the history of the central organisation of the Finnish trade unions, SAK.[4]

Child benefit: a social right for all mothers

Social security was only a minor part of public expenditure in Finland between the world wars. The redistribution of wealth to families with children was also small and actually favoured those with more income. From the beginning of 1924 the central state,[5] and later the public authorities in towns and some private employers, paid a family allowance to their male civil servants, clerks and salaried employees, which was connected to the size of the family or which was directly multiplied by the number of children. This family wage was mainly a civil servant privilege and thus it was limited to the middle class: the majority of parents did not have this kind of support for their dependent children.

During the Second World War the practice of paying a family wage gained more ground in Finland. Men serving in the armed forces who had families got the right to a wartime wage. This pay system was based on two components: military rank and family size. On the home front some employers started to pay an extra allowance to men with maintenance liabilities. The wartime wage and family allowances paid during the war extended the family wage system

4 Bergholm, Tapio (2005c) 'Suomen säädeltyjen työmarkkinasuhteiden synty: palkkapäätös 19.6.1945'. *Yhteiskuntapolitiikka* 1/2005, 3–14; Bergholm, Tapio (2006) 'Tulonjaon murros ja vuoden 1956 yleislakko'. In Ahvenisto, Inkeri & Mäki, Kirsi (eds) *Kansalaisvaikuttaminen ajassa*, Väki voimakas 19, Työväen historian ja perinteen tutkimuksen seura, Vaajakoski, 183–223; Bergholm 2003; Bergholm 2005a; Bergholm 2005b; Bergholm 2007a; Bergholm 2007b; Bergholm 2009; Bergholm 2012.

5 Laki valtion viroista ja toimista suoritettavan palkkauksen perusteista 29.12.1923, Suomen asetuskokoelma 1924, N:o 299, 984–987.

from salaried personnel to people working for wages. Family wage systems in other countries based on the male breadwinner model also became more familiar during wartime.

In 1941 the population committee, suggested a targeted family allowance for poor families with children. The reasons given for this reform were primarily that it would counteract the decreased birth rate and level the burden of family maintenance. The committee proposed that wage earners should get a higher family allowance. Due to a lack of consensus in the committee and fiscal restraints caused by the war, the family allowance was limited to poor families with many children. This allowance was for maintenance and it was controlled by municipal welfare boards and was mainly given in kind and not in cash transfers.[6]

Due to the scarcity of necessities and the heavy burden of war reparations to the Soviet Union, there was full employment and high inflation in the Finnish economy after the Second World War. Individual unions and the Confederation of Finnish Trade Unions (SAK) often made claims for higher wages. Faced with accelerating inflation and continuing pressure for higher wages, the Finnish Employers' Confederation (STK) tried to find new solutions in their effort to curb wage inflation. In the summer of 1947 STK developed the idea of the family wage targeted to families with children, which were hit harder by increases in food prices. If the pay of workers without family obligations could be frozen, this would be the best and cheapest way for employers to curb the workers' wage pressures. STK had a plan for balancing the cost of the family wage system among companies, because families varied in size and workers with large families could become expensive burdens for their employers. Therefore all employers should pay a similar fee into the common fund and from there the state authorities would pay a family wage to those workers who were entitled to it or the common fund could compensate employers retrospectively for these new labour costs.[7]

Unrest in the labour market built up in the autumn of 1947. SAK made wage claims and suggested substantial changes to the wage control system.[8] It also threatened a general strike. STK brought to the negotiations a well-prepared

6 Perhelisälaki 30.4.1943, Suomen asetuskokoelma 1943, N:o 375, 651–653; Perhelisälaki, Sosiaalinen Aikakauskirja N:o 5–6/1943; Suonoja, Kyösti (1992) 'Kansalaisten parhaaksi – Yhteistuntoa ja politiikkaa. Sosiaali- ja terveysministeriö 1939–1992'. In Haatanen, Pekka & Suonoja, Kyösti *Suuriruhtinaskunnasta hyvinvointivaltioon. Sosiaali- ja terveysministeriö 75 vuotta*. Helsinki, 394–395; Bergholm 2003, 64–65; Bergholm 2005b.

7 N. Svanström K. Herra Eversti V.A.M. Karikoskelle 1.7.1947, liitteenä Selvitys perhepalkkaperiaatteesta 1.7.1947, IH4:17 (T152), STK:n arkisto, ELKA; Bergholm 2005a, 149–163.

8 About wage control in Finland 1942–1955 see Bergholm 2005a; Bergholm 2006;

plan for the making of a new family wage system. STK made its position clear. Only a family allowance targeted to those parents with children younger than fifteen years was needed to safeguard the purchasing power of workers in general. SAK hesitated because the trade union movement supported the equal pay for equal work principle. The labour market confederations made a compromise agreement, which included some parts of SAK's wage claim and the introduction of the family wage system in the way that STK had suggested.[9]

The popular front coalition government of Communists, Social Democrats and the Agrarian League (power in 1945–1948) decided that the labour market organisations were entitled to negotiate the details of the new family wage system. The core of the government's decision was that amount of family allowance should be the same as for civil servants, i.e. 500 FIM per child. Practical solutions were copied from the STK plan. As a part of a price settlement between the government and the farmers' organisation, there was a mutual agreement that as soon as feasible the authorities should examine the possibilities of extending the family allowance to the farmers.[10]

A temporary amendment to wage control statutes obliged all employers to pay the family allowance (500 FIM) multiplied by the number of dependent children under the age of 17 years, but due to legal technicalities it was impossible to connect to this decision any levelling system to share the varying costs of family allowances among employers. The real problem with this short-term solution was that, some employers, especially in agriculture, had to pay more than others on average, while workers or salaried employees who had large families could be blacklisted or even sacked due to the special cost their employer incurred.[11]

Recommendations from the wage control authorities and STK about the implementation of this provisional amendment made it clear that the allowance should normally go to the father. The committee, whose task it was to draft permanent legislation for the family allowance, also supported this view in its proposal. The family wage system that strengthened the economic position

9 Bergholm 2003, 65–66; Bergholm 2005a, Mansner 1984, 286.

10 Bergholm 2005a, J.K. Paasikiven päiväkirjat I, 497–498; Hyvämäki 1977, 315–316; Kananen, Ilkka (1986) *'MTK ja Suomen maatalouspolitiikka. Elintarvikepulasta omavaraisuuteen 1917–1949'*, Rauma: Kirjayhtymä, 216–217; Väänänen, Jouko (1987) *'MTK ja Suomen maatalouspolitiikka. Ohjakset omiin käsiin'*. Rauma: Kirjayhtymä, 188–189; Peräläinen, Antero (1991) 'Yhteiskunnan tuki lapsiperheille'. In Taskinen, Ritva (ed.) *Perheen puolesta. Väestöliitto 1941–1991'*. Keuruu: Väestöliitto, 89; Mansner 1984, 283–287.

11 Valtioneuvoston päätös työpalkkojen säännöstelystä annetun valtioneuvoston päätöksen muuttamisesta 8.11.1947, Suomen asetuskokoelma 1947, N:o 808, 1271; Sosiaaliministeriön päätös lapsilisän maksamisesta metsä- ja uittotöissä 8.11.1947, Suomen asetuskokoelma 1947, N:o 809, 1272; Bergholm 2005a, 177–178.

of the male breadwinner had nearly conquered Finland with the support of labour market organisations.[12]

The wage settlement and family allowance targeted only to waged workers were heavily criticised by various groups. In this situation the trade union movement made it clear that child allowances were a part of the wage settlement.[13] A small but efficient government committee rapidly prepared a law for the permanent family allowance. The committee had only three members: Chairman Aarre Simonen[14] and representatives from STK and SAK. Their presence underlines the importance of the labour market parties in the making of this reform. In December 1947 the committee had already proposed a law based on the wage-earning male breadwinner model, but this model was never incorporated into Finnish legislation. The committee advised the government to reconsider the introduction of the universal child benefit in the same way as in Sweden, where the reform came into effect at the beginning of 1948.[15]

A new committee was set up and it proposed a universal child benefit, which should in general be paid to women. The Swedish example paved the way for this female caretaker of the family model. Gender stereotypes supported the rapid change of hearts and minds. The new committee argued that the best way to ensure that the money received was used in the best interests of the children was to give it directly to the mother.[16]

Peter Baldwin has criticised qui bono theories explaining behaviour, coalitions and outcomes in the making of welfare states.[17] The universal child benefit system was fiercely supported by SAK and criticised by the farmers' organisation to the very end even though it meant a substantial transfer of resources from industrial centres to rural areas.[18] Child benefit reform was part of the labour market settlement. This made child benefits part of the

12 STK kiertokirje N:o 183/47 18.11.1947, IH4:17, STK:n arkisto, ELKA; Osastopäällikkö Raf. Rinne, Ylim. esittelijä Esko Kulovaara Väliaikaisen lapsilisän maksamisohjeet, IH4:17 (T152), STK:n arkisto, ELKA; Komiteamietintö Mon. 1947:8, 1 (lakiesityksen 2 §.).

13 Bergholm 2003, 68–70.

14 Aarre Simonen was at that time secretary of Confederation of Finnish Towns.

15 Komiteamietintö Mon. 1947:8.

16 Komiteamietintö Mon. 1948:31, 8.

17 Baldvin, Peter (1990) *The Politics of Social Solidarity. Class Bases of the European Welfare State 1875–1975*. Cambridge: Cambridge University Press, 44–45.

18 Seppänen, Veikko (1954) *Perhekustannusten tasaustoimenpiteiden vaikutus kansantulon alueelliseen jakaantumiseen*, pro gradu –thesis in social policy, University of Helsinki.

social wage package of workers from the perspective of SAK and therefore SAK defended the established system against any suggested cuts.[19]

The birth of the Finnish universal child benefit system was the result of a sequence of unintended consequences, disparate events and interests. From the autumn of 1948 all mothers received the same amount (600 FIM) of money per child. This additional income for the mother also made the incomes of husbands and wives more equal. In the end, the employers' initiative to supplement the wage packet of men brought more resources to the household budget controlled by women. What was previously a male civil servant privilege had become the social right of every female citizen with a child.[20]

Holidays for ordinary people

The right to holiday or freedom from duty was privilege of civil servants and those in the highest ranks of private companies in Finland from quite early on. Some kind of holiday for agricultural workers was put into Finnish law already in 1865. This was the week ('sign up freedom' –pestuuvapaa) when these workers signed up for work making employment contracts for the whole year. The reason for this holiday was thus to give farm workers and their employers an opportunity to make new connections and employment contracts after harvest. This 'cat week' (kissaviikko) was tumultuous, because workers were temporarily outside the control and the oversight of the master or the owner of farm.[21]

Finnish legislation divided wage earners into several sub-groups. The first law on more modern employment relations, which also included holiday rights, concerned employment conditions in shops, offices and warehouses. This was the so-called shop assistant law of 1919, according to which workers in these sectors got one week's holiday after a year of service. In 1922 holiday rights improved substantially for shop assistants, when they got the right to one week's holiday after half a year of employment, and this was increased again after 1922: one year's service gave two weeks, five years three weeks and ten years four weeks. Employers had to allow their shop assistants to take this free time during the summer between 15th May and 15th September. These

19 Bergholm 2005a, 269, 355–357, 381, 383, 386–387.

20 Bergholm 2003; Bergholm 2005b.

21 Anttila 2005, 87.

employees were considered to be white collar workers and therefore the first to be entitled to the holiday privilege.[22]

Other workers got their holiday rights later and at first these holidays were only half of what shop assistants had gained by law. After 1922 all workers were entitled to one week's holiday after one year of service. The Finnish Parliament enacted a new general annual holiday law in 1938, which came into force on 1st May 1939. This law also gave the workers the right to a summer holiday, because according to annual holiday law the holiday period was between 1st May and 30th September. The difference between white collar and blue collar workers diminished as the general holiday law gradually improved. From 1973 statutory annual leave was four weeks for all workers in permanent employment.[23]

Summer cottages, motoring holidays and even package holidays in the 1960s and 1970s were not only for the privileged few but for all working citizens in Finland. These rights were connected to employment relations, but due to the strength of the farmers' lobbying organisation Central Union of Agricultural Producers (Maataloustuottajain Keskusliitto – MTK) and of the Centre Party (former Agrarian League), the farmers got also their own holiday law in the 1970s. The farmer and his wife had shorter holidays than workers, but this innovation from Norway delivered new opportunities for people in agriculture. The right to a proper holiday – free from occupational and employment obligations – became the right of nearly every citizen in Finland. The old social distinction between ordinary people in permanent toil and the upper class on their holidays had nearly vanished.[24]

Holiday rights were on the agenda of the trade union movement, which gained strength in Finland during and after the Second World War. Private sector employers and their organisation, STK, were very unhappy indeed about the developments in the 1920s and especially the 1960s. They opposed statutory holiday rights for employees and the enlargement of these rights. They argued – quite correctly – that these reforms were expensive for private sector companies. But the employers could not oppose the democratic dismantling of old privileges by the Finnish Parliament.[25]

22 Ala-Kapee, Pirjo & Valkonen, Marjaana (1982) *Yhdessä elämä turvalliseksi. SAK:laisen ammattiyhdistysliikkeen kehitys vuoteen 1930*. Helsinki: SAK, 581.

23 Anttila 2005, 91–99; Bergholm 2007a, 121–127; Bergholm 2012, 207.

24 Sauli, Liisa (1987) 'MTK ja Suomen maatalouspolitiikka. Maatalousyhteiskunnasta teollisuusvaltioksi 1950–1980'. Rauma: Kirjayhtymä, 321–325.

25 Ala-Kapee-Valkonen 1982, 576, Bergholm 2007a, 123–127.

Anu-Hanna Anttila has argued that holidays had different meanings for the bourgeoisie and working class. She claims that for both the middle class and the workers holidays were a cultural field of distinction. She also points out that social educators tried to persuade the working class to spend their free time more usefully for themselves and for society at large.[26] This paper has another perspective on these reforms. Instead of looking at the differences in holidays and their meanings for different social strata, it is possible to argue that actually the length and meanings of holidays gradually converged when holidays were no longer a privilege for the few.

Pensions also for working-class people

In Finland there have been political and institutional tensions between pensions systems, institutions and principles. The earnings-related pension based on the insurance principle, equal flat-rate pensions based on the citizenship principle and graded pensions based on social levelling ideas have been on the legislative agenda of political parties, interest groups and bureaucrats. This struggle has been described in detail in earlier research.[27]

It is likely that too much attention has been given to these tensions and too little discussion and analytical vigour has been given to the gradual process by which the old privileges of the civil servants were eroded. This is also the case in the field of pensions. The National Pension reform in the 1930s aimed to create payment-related pensions based on obligatory individual pension accounts. This reform collapsed due to wartime inflation. Even after the Second World War the difference between civil servants with generous pensions (for themselves and their widows and orphans) and farmers and the working class almost without any pension coverage was considered to be a great social injustice by trade unions and farmers' organisations.

The National Pension reform of 1956 brought social justice to the fore, when the equal pension principle was complemented with needs- and income-tested additional increases to the basic pension. The Finnish Parliament enacted an earnings-related pension system system through two laws in 1961. Later farmers, entrepreneurs, artists, the self-employed and receivers of grants also got their own pension schemes. Following the pension reform of 2005, nearly

26 Anttila 2005, 35–85.

27 Häggman, Kai (1997) *Suurten muutosten Suomessa. Kansaneläkelaitos 1937–1997*. Jyväskylä: Kansaneläkelaitos; Kangas 2006; Niemelä 1988; Kangas 2007; Bergholm 2007a; Bergholm 2012; Hannikainen &Vauhkonen 2012.

all earnings and also some other societal activities contribute to pensions earnings in Finland.

This last reform actually made the principles of working class pensions and the civil servants' pensions system similar. The high pension compared to earnings, lower pensionable age and some other features still favourable to civil servants in the late 1980s started to disappear during the 1990s and 2000s. Some of the actuarial rules in the new pension system still benefit civil servants compared to the working class. Civil servants have better possibilities for enjoying the accelerated accrual rate of 4.5% on the pension of a person who continues working beyond the age of 63. But in the long run there has been a gradual decline of social and economic distinction and privilege of civil servants in the field of pensions.[28]

* * *

This paper has looked at the development of the welfare state not from the perspective of winners but from the perspective of losers. The levelling of social rights delivered relative decline for the privileged civil servants and other members of the upper class. This paper shows that a gradual erosion of civil servants' privileges occurred in many fields of many fringe benefits or social wages. After the Second World War there are also other examples where ordinary workers caught up or came closer to the employment terms of civil servants.

The egalitarian project was problematic, contested and sometimes did not deliver socially equal outcomes. But when we look at the development and reforms concerning social wages from the perspective of privileged civil servants, this egalitarian ethos was still strong and efficient in the making of the pension reform of 2005.

28 Hannikainen & Vauhkonen 2012.

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BASIC INCOME AND DEMOCRACY

JORMA KALELA

The idea of basic income, a sum of money provided without conditions by the state to every person in working age permanently resident in the country was about to come to the fore in Finnish public discussion at the end of the 1980s. The same was true of responding to the discontent with representative democracy among citizens. The two issues that were kept apart from each other stayed, however, in the background since the depression of the next decade changed the direction of politics: the new agenda that has later been termed neoliberal was not favourable for these kinds of reforms. Since the turn of the century a new situation has gradually emerged as the present article suggests. Carrying out basic income implies a new kind of politics: policies generated also from the citizens' situation, their demands and initiatives.

Basic income emerged in the 1980s, in the case of the present writer, as a solution to the contradiction created by unemployment policies based on means testing: satisfying the demand of labour by administrative means was obstructed by measures aimed at securing the livelihood of those out of work. This conclusion ended my treatise on unemployment in 20th century Finnish politics that was commissioned by the then Ministry of Labour and published in the spring of 1989.[1]

Two decades later it is my contention that the policies of the welfare state have to be reassessed because the sources of livelihood have been profoundly transformed and the risk of prolonged unemployment has markedly increased. At the same time, the culture of labour has been altered in a way that has made life uncertain in a novel way and triggered mental problems to displace physical burden as the employees' main worry. Basic income is an adequate starting-point for reorienting the welfare state.

As regards democracy, the legitimacy of the existing political institutions was shaken by the late 1980s because of the citizens' dissatisfaction. New conditions for civil activity had emerged since the 1960s with the disappearance of the traditional misery at the same time as the age-old social structure was broken down. Freedom from cultural predestination and the sense of

1 Kalela, Jorma (1989) *Työttömyys 1900-luvun suomalaisessa yhteiskuntapolitiikassa.* Helsinki: Valtion Painatuskeskus ja Työvoimaministeriö, 208–227.

increasing opportunities had been reinforced by a general rise in the level of income and the basic services provided by the welfare state. However, the citizens' new perspectives on the future were not reflected in politics.[2]

Political parties were, as Pauli Kettunen wrote in 1987, imprisoned by patterns of action that had materialised during the first years of the twentieth century. The way they responded to people's resentments and sought to redress what were regarded as injustices did not work any longer. The logic of combining 'interest articulation from below' and 'knowledge from above' was out of date. Politicians did not realise that their solutions were taken as patronising since people regarded themselves as capable of looking after their own interests.[3]

At the outset of the twenty-first century there is hardly any reciprocity left. Political parties represent the state in relation to citizens rather than the other way round. They seek justification from the citizens for state policies rather than argue for the needs and interests of their voters. In this kind of situation that is common to all EU countries basic income opens an avenue to creating a citizen-generated democracy.

Employment as the source of livelihood

The possibility of determining one's way of life advanced in parallel with the emergence of paid work as the dominant source of livelihood from the 1960s on. In turn, with the depression of the 1990s the context of everyday life began to assume new features as a result of ever advancing commodification: social relations are nowadays mediated by purchase-power, for instance. Individual competitiveness determines the view on unemployment: not having a job is regarded as a personal defect rather than a social evil.

It is in the social circumstances that came into view with the first years of the 21st century, sometimes characterised with the term consumerism, that the new topicality of basic income has its origins. The reform has also got a new kind of backing. The idea was presented by individual scholars and politicians in the 1980s and 1990s while it has had constantly increasing popular support

2 A summary of the new conditions for civil activity that had emerged since the 1960s was the theme of Kalela, Jorma (1990) 'Kansalaiset, poliittinen järjestelmä ja yhteiskuntamoraali'. *Tiedepolitiikka,* Vol. 15, Issue 2, 5–16.

3 Kettunen, Pauli (1987) 'Vuoden 1906 Suomi, vuoden 1918 Suomi, Nyky-Suomi. In Alapuro, Risto, Liikanen, Ilkka, Smeds, Kerstin & Stenius, Henrik (eds.) *Kansa liikkeessä*, Helsinki: Kirjayhtymä, 284–287.

from the turn of the century on. Even two political parties, the Greens and Left Alliance, endorse officially the reform.[4]

A new stage began with the foundation in 2011 of a network that affiliated itself the following year to Basic Income Earth Network (BIEN). The Finnish organisation unites people from all points of the political spectrum; they are convinced of the need to realise the reform, their different views on its substance notwithstanding. In February 2013 BIEN Finland launched its campaign for a citizens' initiative that obliges the parliament to take a stand in the matter if the 50 000 signatures required have been collected.[5]

In accordance with the idea of BIEN Finland the present article represents only the views of its author even if he is an active member of the organisation. My interpretation is that the enlarging support of basic income reflects two kinds of attitudes. There is, firstly, the uncertainty of life resulting from changes in employment. A particular source for popular dissatisfaction is the various effects of the transforming culture of labour. Secondly, there is popular resentment about public policies with a special source for anger in the jungle of forms needed to apply for benefits. In addition to the unmanageability of the welfare state, opposition arises from its obliging undercurrent.

The function of this article is to demonstrate that the recent changes, shared by most EU countries, have made basic income a sensible political aim. The idea is, however, not to discuss the merits and weaknesses of the several different suggestions regarding the substance of the reform since the available space does not allow it. Besides, such a deliberation is inevitable if the parliament takes the citizens' initiative seriously. Discussing basic income is like opening Pandora's box: it compels one to take a stand on all the present fundamental political issues.

As a historian of politics, my interest in basic income is related to the present state of democracy characterised as it is by two renegaded basic features. The need to curb arbitrary use of power, appearing as it does today, in the guise of decisions made beyond the reach of representatives for citizens has practically passed from sight in most EU countries. At the same time, the idea of policies generated and advocated by the citizens themselves plays a

4 About the idea of basic income in Finland from the 1980s to the present, see Pertti Koistinen and Johanna Perkiö (forthcoming) *Good and Bad Times of Social Innovations – The case of universal basic income in Finland.*

5 The activities of BIEN Finland can be followed at www.perustulo.org See also Johanna Perkiö ja Kaisu Suopanki (eds. 2012) *Perustulon aika*. Helsinki: Into. A similar kind of citizens' initiative was endorsed by the EU commission in January 2013; the required number of signatures within EU is one million.

minimal role in public affairs. What potential for a revival of democracy is embedded in basic income?

Transforming sources of livelihood from the 1990s on

'Work is the best way to social security' has been the emblem of all Finnish governments. This status was not shaken by the collapse of its economic foundation during the booming late 1990s and early 2000s. The country experienced the probably most powerful upswing in its history which also saw the formation of an unprecedentedly large body of people who were permanently or repeatedly out of work. It became apparent that joblessness did not disappear with rapid economic growth and that such a growth did not presuppose full employment. Instead, poverty had increased during the boom.[6]

The 1990s change in the labour market has turned out to be irreversible, and yet it has been paid hardly any attention to in the public discussion. By contrast, the unspecified slogan 'the need to create new jobs' serves as justification for practically all economic policy measures. That the risk of prolonged shortage of paid work is a constant part of life for the families of about two hundred thousand Finns has been virtually swept under the carpet. The new situation as regards regular employment results in part from changes in the demand for labour; the general influence of these changes has also been underestimated.

Full-time steady employment is not any longer the normal way of earning the necessities of life even if the majority of people still do traditional paid work. As early as by the first years of the 21st century it was apparent that hundreds of thousands people had 'atypical labour relationships'. They were hired to do temporary jobs, doing short-time labour, linked to employment agencies. employed themselves e.g. as graphic artists or had become superficial and often unwilling entrepreneurs as the result of outsourcing. It is the irregularity of employment that unites these people and justifies calling them, to paraphrase the sociologist Guy Standing's vocabulary, the 'new labour'.[7]

6 Kalela, Jorma (2002) 'Syntyikö Suomeen 1990-luvulla uusi alaluokka?'. In Blomberg, Helena, Hannikainen, Matti & Kettunen, Pauli (eds.) *Lamakirja. Näkökulmia 1990-luvun talouskriisiin ja sen historiallisiin konteksteihin*. Turku: Kirja-Aurora.

7 Standing's term for the same group of employee's is 'precariat'. Standing, Guy (2009) *Work after Globalization. Building Occupational Citizenship*, Cheltenham, UK and Northampton, MA, USA: Edward Elgar.

The permanent rise of unemployment to a higher level[8] and sporadic employment have thrown the welfare state off balance because the benefits granted presuppose that the recipients have stable full-time employment. This characteristic has been strengthened by the post-1980s social policies in which the level of benefits has been related to wages and salaries. As a result, the present welfare state discriminates, even at retirement, against those with a weak position in the labour market. There is a distinct inequality with regard to benefits.

Speaking about 'unusual jobs' in the way part of the media and even some trade-unionists still do in the case of about every fourth employed Finn is unreasonable. There simply are not traditional jobs for everyone any longer. This aspect of the labour market is intimately connected to the appearance of the 'new work' analysed, in addition to Standing, by sociologists Richard Sennet and Jussi Vähämäki, for instance.[9] 'New work' is distinguished by a ceaseless conversion of the culture of labour.

Workers are today expected to think of their own life as a project, the idea of which is to produce a self-sufficient member of the staff. A carefully devised portfolio, not any longer a bare CV, demonstrates the potential employee's capabilities. Being able to keep the job, in turn, demands constant updating of one's occupational competence, in most cases by the employees themselves, in their own time and at their own expense. The worker is also expected to internalise the company view on the production; entrepreneurial approach has been elevated to the status of the norm that dominates working life. This kind of a profile for the employee is quite a challenge to the trade unions, especially since the border between the worker and the entrepreneur has become a line drawn in water.[10]

The three Finnish governments at the 21st century have elevated entrepreneurship to a crucial objective of public policies. As is to be expected, the number of companies has grown remarkably but with an interesting nuance connected to changes in the culture of labour. Some of the people

8 Before the depression the rate of employment was about 74% while during this century it has been well under 70 %.

9 More detailed about 'new work', see Kalela, Jorma (2008) 'Markkinavoimat ja "uusi työ"'. In Ojajärvi, Jussi & Steinby, Liisa (ed.) *Minä ja markkinavoimat. Yksilö, kulttuuri ja yhteiskunta uusliberalismin valtakaudella.* Helsinki: Avain. About Sennet, see his (2006) *The Culture of the New Capitalism* (Yale University Press; New Haven & London, and for Vähämäki, Kalela 2008 that discusses his texts in relation to those of Sennet's.

10 Kettunen, Pauli (2002) 'Suunnitelmataloudesta kansalliseen innovaatiojärjestelmään'. In Blomberg, Hannikainen & Kettunen, 38–40. More generally about changes in the culture of labour, see also Kettunen, Pauli (2008) *Globalisaatio ja kansallinen me. Kansallisen katseen historiallinen kritiikki*. Tampere: Vastapaino.

who constitute 'new labour' have simultaneously many sources of livelihood: one may be at the same time, say, a company director, a journalist, a supply teacher, a personal trainer, a caretaker and a graphic artist. This development does not mean that the contradiction between employer and employee has had its day; what is needed is separating the questions of livelihood and employment in politics.

Managing one's occupation has also been impeded in way that makes establishing one's own identity difficult. The life span of many skills is shortening and the institutions in relation to which the employee has to situate him- or herself are fragmenting. Celebrating potential ability is about to replace craftsmanship in 'new work' and the employee is expected to orient to the short term and be willing to abandon past experience. Drawing on social memory has been thwarted and one's own life-narrative has to be created out of disjointed bits.

Competition between workers is also a key aspect of 'new work'. At the place of work this characteristic is often realised by the way of creating rivalling teams or by linking wages to the execution of tasks. Outside work the same function is performed first and foremost by the scarcity of jobs. These methods of intensifying the workers' performance antagonise structurally the basic idea of the trade unions that is based on the elimination of competition between workers.[11]

'More working days are lost each year as a result of stress than through strikes' is one way of illuminating the change from physical burden to mental problems as the crucial characteristic of 'new work'[12]. The impressive sales of Juha Siltala's book, dealing with 'the brief history of worsening working life', in turn, indicates that a large number of Finns have recognised their own situation in its pages. Work is not only distressing but the very concept of it has become ambiguous.[13]

The consequences of 'new work' outside the place of work have been considerable since they are in line with the other aspects of what Sennet calls the 'culture of new capitalism'. Income disparities have significantly increased in all industrial countries since the 1990s and their effect has been strengthened

11 Kalela, Jorma (2009A) 'Denial of Politics as Government Policy'. In Tiitinen, Seppo & al. (eds) *Challenges for Finland and Democracy*. Parliament of Finland Centennial 12. Helsinki: Edita.

12 The quotation refers to present-day Britain (Madeleine Bunting's review 'Loose connection' of Sennet's book mentioned in the note 9, New Statesman 13 March 2006), but undoubtedly applies to Finland as well.

13 Kalela 2009A, note 14.

by the austerity measures characteristic of economic policies in the 2010s. Poverty has intensified.[14]

Finland has not ratified the European Social Charter as regards fair remuneration because of the country's collective bargaining system. The argument is that there is no need for minimum wages because the pay and minimum conditions of employment in the agreements are binding for all employers in the branch in question. This has not, however, hindered the increase of relative poverty. A constantly growing number of employed workers have fallen below the 60% of national median income, the relative poverty line set by the EU.

That there are persons whose earnings are not sufficient to provide a decent livelihood either because the wage is too low or the employment is sporadic has been a constant theme of discussion everywhere in the Western world since the beginning of the present century.[15] The burden of personal reproduction is especially heavy on the unemployed who have to maintain their capacity as a potential employee. Searching for a job, applying for welfare benefits by filling an infinite number of forms and seeking additional income are time-consuming and costly efforts.

Food queues that do not disappear remind us of the harsh conditions in which many employees have to take care of their personal reproduction, not to speak of the unemployed. Keeping up one's capability to work by way of continual training, for instance, is expected from the employed poor, too. The question is of meeting requirements that are necessary for the functioning of a market economy but have been marginalised in public policies. The same is true of collective bargaining; the unions should also recognise work that is not labour instead of concentrating only on labour.

Taken together, the risk of prolonged unemployment, 'new labour' and 'new work', highlight a life with uncertainty and the associated sense of insecurity as the uppermost aspect. The worst drawback from the point of view of those in precarious jobs is the unpredictability of their own and their family's life situation. Difficulties in planning for the future impose a mental strain, make it difficult to start a family and have children and may even be an obstacle to

14 Kalela, Jorma (2006) 'Nollakuusi ja vasemmiston poliittiset arvot'. In Ahvenisto, Inkeri & Mäki, Kirsi (eds) *Kansalaisvaikuttaminen ajassa.Näkökulmia suomalaiseen kansalaisvaikuttamiseen suurlakosta 2000-luvulle.* Helsinki: Työväen historian ja perinteen tutkimuksen seura.

15 Key incentives for discussion have been Barbara Ehrenreich's two books: (2001) *Nickel and Dimed.*: *On (Not) Getting By In America*. New York, NY.: Metropolitan Books/Henry Holt and (2005) *Bait and Switch: The (Futile) Pursuit of the American Dream*. New York, NY.: Metropolitan Books.

obtaining a loan or a mortgage. Steady livelihood has become an unfulfilled dream for a growing number of Finns.

As regards the response of the welfare state[16], the confused public debate about shortage of employment introduces its fundamental weakness. The level of unemployment that is presented as a precise percentage, for instance, gives the impression of a uniform body while the question is, in fact, of the very opposite. Secondly, there is much of futile debate about exact numbers characterising those out of work; the very constitution of this diverse group makes every definition controversial. However, it is possible to divide the unemployed in three groups that are relatively indisputable even as regard their sizes.[17]

Those with a good change to find a job at a relatively short interval constitute only about every seventh of all the unemployed or, starting from the 210 000 according to Statistics Finland, some 30 000 people. The point is that the vast majority are chronically or permanently out of work. Included in the larger part are the other extreme of the unemployed: those who have already lost their faith in life and may hardly ever find, or even seek for a job. The number of these social excluded people may be as high as 50 000 meaning that there are about 130 000 people who 'want to work but can't find it', as Sennet describes their situation.

The largest group of the unemployed does not constitute of 'losers', as they often are characterised in public; they do not dip into their neighbour's purse for their livelihood. They are neither poorly educated nor do they lack expertise; among them are even many with a higher education degree. The difficulties they have met while seeking for a job originate in outdated skills or skills that are not in demand, and this calls for expanding and recycling their competence as the way to find a job. However, this is what the state has refused to provide and this denial justifies the term displaced. Worth noticing is that the kind of retraining needed is the very thing one would expect from the public authorities with a view on the current debate around the labour market.

The main worry of the economic decision-makers and the experts in the Finland of the 2010s is the shortage of labour expected to arise in the near future. Various remedies for addressing the problem have been suggested, raising the retirement age and importing skilled foreign labour, for instance.

16 More detailed about government policies, see Kalela 2009A and Kalela, Jorma (2009B) 'Politiikan kieltämisen politiikka'. In Taimio, Heikki (ed.) *Kurssin muutos: Kestävään kasvuun ja hyvintointiin.* Helsinki: Työväen Sivistysliitto.

17 The three groups come close to the three segments of customers applied by Ministry of Employment and Economy. See Henkilöasiakkuusstrategia. TEM028:00/2009, 10–12.

Considering the heat of this discussion it is, logically, surprising that hardly any attention has been paid to the potentials embedded in the displaced majority of the unemployed. On the contrary, these people have virtually been thought of as a burden on the economy.

Expressing surprise at state policies is, actually, superficial since there was already in the 1980s a tendency to split the country's workforce into two parts on the basis of employability. In the 1998 reform of public policies on labour administration the division was finalised. Since then the main focus has been on 'fulltime jobseekers' while the majority of the unemployed has been approached in terms of preventing their marginalisation.[18] This pre-emptive aim, and alleviating poverty in general, 'will be conditional upon meeting the goals set for employment', as is stated in the Government Programme from 2003, for instance. Unless the authorities can arrange jobs for the unemployed in question, they may grant the support needed only at their discretion. This principle leads, among other things, to counterproductive results with a view to an imminent shortage of labour.

The discretion originates in the late 19th century thinking which calls for oversight in order to prevent abuses of reforms; this principle remains imperative in the 21st century even if it hinders efforts to increase the rate of employment. The unemployed who cannot be provided with jobs are actually treated, to use Sennet's vocabulary, as 'useless people'. The retraining courses organised are regarded by the unemployed, unavoidably, simply as requirements for receiving unemployment benefits - instead of opening a perspective for improving their own conditions of life. As a result, the compulsoriness of the training rules out learning skills that expand the trainee's existing competence and are in demand from the employers' angle. This potential for strengthening the trainee's motivation might be realised by basic income whereas the present stipulations have brought about training that is experienced (in most cases) as senseless and quite seldom leads to a job.

The realisation of basic income has been, in other words, prevented by the spectre of moral decline that is the alleged result of obtaining support for livelihood without something being given in return. What should be discussed is the enduring viability of this moral idea, and that is a political issue. Still, denying complementary public support for securing the necessities of life is irrational from an economical perspective too, as was argued above. Two additional arguments should also be remembered. Firstly, with regard to the much-discussed public indebtedness it is possible to realise basic income cost-

18 Kalela 2002, 367–370.

effectively, and secondly, the reform would make the country's economy more competitive through inviting the people to contribute to the official 'national innovation-boosting project'.

Policies towards the misplaced majority of the unemployed serve as an introduction to the general problem at issue as regards the welfare state. What has pulled together criticisms from various angles is the conclusion that there is too much bureaucracy. It is an insuperable task for both politicians and scholars to manage a totality consisting of more than one hundred different, often mutually contradictory, benefits - not to speak of citizens in need of support. At an everyday level the anger is created by the 'benefit jungle' consisting of an infinite number of forms to be filled that frustrates the applicants and prevents local authorities both in social and labour administration from availing themselves of the training they gained in higher education.

Dissolving the unnecessary bureaucracy is the logical remedy and there also is a large consensus about its necessity. The way to proceed is, however, disputed. The merit of basic income is to provide a well substantiated starting-point, but it also offers a perspective beyond mere reorganising public benefits to those in need of support. Once realised the reform demonstrates that it may not be futile in the future to try to press those in power to admit the usefulness of the independent activity of citizens.

New conditions for civil activity up to 1980s

The emergence of paid work as the dominant source of livelihood from the 1960s on was accompanied by strong optimism concerning the future; the country was developing towards brighter times. The new opportunities were highlighted, for example, by the disappearance of traditional forms of pauperism; 'the faces of poverty changed when unemployment came out as the main cause of poverty'.[19] In general, the Finland of the 1980s did not lag behind other industrialised countries as regards its socio-economic structure nor are its present economic and political problems any longer distinctively Finnish ones.

From the angle politics the time from the 1960s to the 1980s was a transitional period into the present circumstances. Struggles around issues

19 Quotation from Antti Häkkinen and Jarmo Peltola (2001) 'On the Social History of Unemployment and Poverty in Finland 1860–2000. In Jorma Kalela & al. (eds) *Down from the heavens, Up from the ashes. The Finnish economic crisis of the 1990s in the light of economic and social research.* VATT-julkaisuja 27:6. Helsinki: Government Institute for Economic Research. 332.

which in retrospect can be called the building of the welfare state engaged political parties to such a degree that they missed the profound changes that took place at the level of everyday life. First and foremost, they failed to see the way people apprehended their transformed social reality.[20]

With the view on civil activity the most profound novelty from the 1960s and 1970s was the breaking up of the previous, pyramid-like structure of social inequality based on the source of livelihood. The lowest rung of society had consisted of workers and smallholders, the next level of farmers, then came the middle class with the very small upper class at the top. This order was replaced by one based on purchase-power after the depression of the 1990s; the pyramid has been substituted by a cube balanced on one of its corners as the metaphor. The lowest stratum consists today of the socially excluded and the highest of the really rich with the huge 'middle class' in between.

The disappearance of the traditional structure of social inequality was attended by the citizens' transformed position: political independence and activity took the place of dutiful compliance. The new guise acquired by authorities at the level of everyday life illuminates one of the crucial aspects in this change: local officials did not any longer appear as agents of public power but as persons supplying the various services that citizens are entitled to demand. Instead, for example, of queuing to be accepted onto the register of those without a job a person was entitled to unemployment benefit.

As regards their relation to politics, the citizen took on the same attitude as they did to their way of life. There was no question of compromising one's freedom of judgement: s/he makes his/her own decisions even though the opportunities to choose might be limited, freedom of choice largely illusory and even the alternatives ready-planned by the various markets. Yet, the political parties talked down to the citizens. They were imprisoned, as was noted earlier (000), by practises characteristic of a society that had already vanished.

The last two decades have been distinguished by a difference between the political views of the citizens and those of the political parties that was well under way during the depression of the 1990s. Although both sides were united in the belief that economic inevitabilities cannot be changed by political means, the interpretations of what had taken place diverged. From the citizens' point of view, politicians had surrendered in the face of the social difficulties that globalisation had brought with it while the decision-makers thought that they had opted for the correct societal policy presupposed by preserving the Finnish competitiveness.

20 This conclusion could be verified already 1990, see Kalela 1990.

Denial of politics as government policy from the 1990s on

The thinning of democracy, shrinking spheres of democratic governance and the citizens' missing protests in the face of it have characterised Finnish politics since the 1990s.[21] Two processes have been crucial here. The dominating one started with the elevation of international competitiveness in the course of depression to the position of the supreme criterion for all policy decisions. As recently as the 1970s it had been just one prerequisite for economic growth, equitable with, say education. Survival in the globalised competition has been the justification for policies that have led to the tightening subordination of politics to economic growth.

The second process emerging in the post-depression Finland is actually a consequence of the first one: silent popular acceptance of the growing inequality and uncertainty of everyday life. For the governments the two trends, the inevitable effects of globalisation and minimising their harmful repercussions, belong to their stated agenda. The problems are regrettable but it must be understood that the freedom of action in solving them is limited since without a competitive and solid economy there will be no citizens' welfare either. The official rhetoric conveys the belief that the problems of citizens will also be solved just as long as economic growth continues.[22]

A kind of competition-state that acts for the 'national competitiveness community', as Pauli Kettunen puts it, is the image governments have in mind when getting down to politics. The presumption is that there exist 'correct' ways of guaranteeing success in the globalised world which calls for specifying the targets on the basis of a competent prediction of economic development. In this sense, both the starting-point and the aims governments pursue have been taken for given, that is, the direction of politics has been reduced to responding to changes in the global environment. This logic of approaching competitiveness has been summarised in the so-called managerial language or discourse.

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21 This chapter is an abridgment of Kalela 2009A and Kalela 2009B. See also Kalela, Jorma (2005) 'Perinteisen politiikan loppu'. In Pernaa, Ville & Niemi, Mari K. (eds) *Suomalaisen yhteiskunnan poliittinen historia.* Helsinki: Edita.

22 The various aspects of the managerial discourse is a theme running through Kettunen 2008. The idea was first presented by Leena Eräsaari (2002) in her *Julkinen tila ja valtion yhtiöittäminen.* Helsinki: Gaudeamus. It is important to note that the discourse in question is not just a Finnish phenomenon, but an international one. See for example Ross McKibbin (2006) 'The Destruction of the Public Sphere', *London Review of Books*, 5 January, pp. 3–6, that would be an apt description of the way of thinking that also dominates Finnish politics.

As a framework for political activity the managerial discourse has acquired the status of the politically correct way of thinking. It is accepted as pre-set frame of reference within which debates about government and opposition policies must remain. As a paradigm this discourse embraces all societal phenomena that influence competitiveness and interprets what is involved in them. It also determines the matters that are relevant in light of any given situation, in other words, defines the current agenda.

Embedded in the managerial discourse is the idea that Finland's attractiveness as a location for capital and production is a matter that unites 'us'. Each individual is shown that s/he can promote national competitiveness and the ensuring economic growth. By participating in working life they contribute to national innovation-boosting project and in this way fulfil their civic duty. Mobilising the people for 'our' common task is reflected also in the official rhetoric: welfare society has replaced welfare state. In a similar way raising the employment rate has taken the previous place of fighting unemployment. The weak point of the managerial logic is, of course, the insidious nature of 'we' as a concept. It conceals both people's inequality and their divergent priorities

The managerial logic is illuminated by the virtual non-existence of the large majority of the unemployed. Neither those regarded as marginalised nor the displaced do constitute an obstacle to international competitiveness and have, as a result, no place in the primary agenda. Such a position would require either that the existence of these groups seriously harms Finland's image or that providing them with a livelihood becomes a burden on public finances. Until then the vast majority of those without a job remain an isolated, secondary 'political' problem. This tendency to value people on the basis on their contribution to international competitiveness has also contributed to the missing attention paid to the displaced as a labour reserve.

The welfare state has also been approached in terms of the managerial discourse: the question is of the infrastructure needed for success in global competition. The logic of reacting to problems in the system is piecemeal corrections since there is no need to touch the sound basic idea. The result has been an unmanageable totality of benefits with their contradictions as was underlined above (336) Claims that the very idea of the public assistance allowances is in danger, not to speak of the allegations that the welfare state has been gradually dismantled, are in the government way of thinking defamation, at best. The same approach is displayed in the subordination of benefits as a means of regulating the labour market (above 335): the welfare offered has an instrumental rather than an intrinsic value.

With a view to citizens' participation the essential element in the managerial discourse is thinking about the use of power one-sided 'from above'. The governments vow to advance the welfare of citizens but since their perspective on this task is kept within the bounds of international competitiveness their policies are remote from how the people experience their situation. It really is difficult for the citizens to see the connection between matters that are central to their everyday lives and the political agenda. And since the political parties share this agenda it is no wonder that dialogue between the citizens and political parties hardly works any longer.

Consensus about the managerial discourse as the framework for politics has also decreased differences between the political parties. From the citizens' perspective they disagree about the ways of dealing with current problems rather than about the substance of what should be done. The citizens' position comes close to the status of judges at a figure skating or a diving competition. They give points for the style by voting or through opinion polls, but do not themselves participate in the performance. Nor do they choose the competitors.

Quite a few citizens do feel that they are treated as the objects of the parties' activities and a resource for them rather than political subjects. They have hardly experienced any alternative kinds of politics. The idea that those who have suffered from some shortcoming would themselves both define the problem and point out the resolution is for them a mere theoretical possibility at best.

Citizen-generated politics

With a view on politics in present Western democracies, there is an unmistakable need to terminate the trend towards people's increasing inequality. A means to this end but as well as a goal in itself is the necessity of developing ways that ensure a real effect for the citizens' views on the political agenda and for their priorities. An alternative to the present form of representative democracy is called for and basic income opens a perspective in that direction.

In addition to securing a minimum level of income for the unemployed; basic income would also provide a stabilising and supporting effect in everyday life. While counterbalancing the growing insecurity it would also be a compensation for the unpaid reproduction work. As a policy target basic income would function as an incentive to those out of work to expand and recycle their existing competence.

Furthermore, the reform should be viewed in the same perspective in which the various schemes of citizen's wage like child home care allowance and study grants have been devised. As a gratuitous system, basic income would enlarge this way of thinking, since no particular activity is required for this benefit.

As regards politics in general basic income means using carrots instead of sticks, it is a step towards trusting people. In everyday life the reform would lessen the role of individual competitiveness in dealings with others. Basic income might also give courage to live to people whose lives are dominated by fear of being marginalised.

The realisation of basic income would imply that growth-based policies are not an adequate way to ensure people's welfare. The reform would also demonstrate that securing international competitiveness is not the supreme criterion for making political decisions. Contributing to the good life of citizens is the dominating substance of politics, and interventions in the economy serve this goal.

The idea of democracy is to guarantee that the use of power serves the citizens' good life and that necessitates conditions in which their voice really makes a difference. Public spaces, institutions and policies must reflect views that originate in people's own experiences as well as their initiatives and demands.

Bottommost, the reform would open the perspective for a brighter future, a society in which people have the possibility of choosing their source of livelihood and constructing good life for themselves. Steps in this direction are provided, among other things, by the citizens' initiative with a view on political practices and basic income as regards a context for political discussion. The future might seem, for the first time since the 1980s, a brighter one.

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FINNISH CENTRAL GOVERNMENT ADMINISTRATION VIEWS ON WELFARE SERVICE REFORM
Advancing the social investment paradigm?

HELENA BLOMBERG-KROLL

Introduction

The social investment paradigm has been a topic of scientific and societal debate for more than a decade. This paradigm has often been depicted as a modern alternative to the more straightforward neoliberal critique of traditional welfare state policies, which claim that social policies generate negative economic outcomes, a perspective that is said to have lost its appeal by the mid-1990s.[1] The social investment paradigm, which has recently become more popular within influential international economic and political institutions such as the European Union and the OECD as well as among many national decision makers, recognizes, in contrast to the neoliberal stance, that social policies can be brought into play in an increasingly positive role to enhance economic competitiveness, e.g. through emphasising investments that enhance human capital.[2]

This chapter investigates the extent to which policy principles and solutions regarding issues of welfare service reform that are concordant with the social investment paradigm have been a part of policies promoted by the Finnish central government administration through the publication of an 'expert magazine', *Hallinto* [Finnish for 'Administration'].

To date, research on the influence of the social investment paradigm has focused mainly on issues pertaining to the labour market and/or social security

1 Jenson, Jane (2009) 'Redesigning Citizenship Regimes after Neoliberalism. Moving Towards Social Investment'. In Morel, Nathalie, Palier, Bruno & Palme, Joakim (eds) *What Future for Social Investment?* Stockholm: Institute for Future Studies Research Report, 27–44.

2 Mahon, Rianne (2012) *Social Investment According to the OECD/DELSA: A Discourse in the Making*. Welfare Societies Working Paper, 3; Nygård, Mikael & Krüger, Nicole (2012). Poverty, families and the investment state. The impact of social investment ideas on political elite discourses in Finland and Germany. *European Societies*, http://dx.doi.org/10.1080/14616696.2012.726368; Jenson 2009.

policies, while giving less attention to the fact that a substantial share of the investments in human capital in the Nordic countries are realised through the provision of public (welfare) services, e.g. extensive day- and elderly care services, free education at all levels, and various labour-market-related services.

Existing research on Finland, which has focused primarily on areas such as family or employment policies, has shown that social investment ideas have indeed become more visible in Finnish political documents—government and party programmes—during the first part of the twenty-first century.[3] The question that needs to be addressed here is whether investment ideas have also influenced the lines of reasoning within the central government administration, which has been ascribed a fairly important and generally independent role within process policy development in Finland both historically[4] and today, when the Ministry of Finance in particular has been claimed to have become a central player.[5]

Thus, the chapter seeks to answer the following questions: *What kinds of principles regarding the financing, administration and provision of public (welfare) services are promoted at the central government level? Are they concordant with the social investment paradigm?*

The social investment paradigm – service policies and governance characteristics

As the social investment paradigm seems to have gained in popularity in many countries, and especially among different elite groups, it has also become obvious that there are quite different interpretations of the ideas making up the paradigm (or perspective). Neither is the social investment paradigm an exclusively new way of seeing the role of social policy; it draws on elements both from the Keynesian paradigm, which was dominant after the Second World War, the 'golden era of the welfare state', for example when it comes to investing in human capital, and from the neoliberal paradigm, for example when it comes to activation.[6]

3 Nygård & Krüger 2012.

4 C.f. Kettunen, Pauli (2008) *Globalisaatio ja kansallinen me. Kansallisen katseen historiallinen kritiikki*. Tampere: Osuuskunta Vastapaino.

5 Kantola, Anu & Kananen, Johannes (2012) 'Seize the Moment: Financial Crisis and the Making of the Finnish Competition State'. *New Political Economy*, http://dx.doi.org/10.1080/13563467.2012.753044.

6 Nygård & Krüger 2012, 5.

Thus, while keeping in mind that the social investment paradigm can be interpreted in different ways, it still seems useful to try to discern certain typical, or often mentioned, characteristics of this paradigm when it comes to public (welfare) services as a basis for analysing their prevalence in public sector reforms and reform rhetoric in the past decade.

First, one essential component of the social investment state paradigm is that it advocates more active policies in different social policy fields. Thus, the state should—together with the market, family and community—have an active role, but under the prerequisite that public spending focus on investing in the development of human capital. Social investment is thus characterised by, for example, public support for early childhood education and care.[7]

Second, the social investment perspective, like the neoliberal perspective, focuses on the future as opposed to the immediate effects, which are of primary concern within the Keynesian paradigm. However, whereas the neoliberal perspective sees social spending as a burden, both at present and in the future, the social investment paradigm accepts social spending at present, but not merely, or mainly, as a way of meeting current social needs so much as a way of investing in the future.[8] Thereby, third—and in contrast to the traditional Keynesian paradigm, which focuses on publicly funded services (mainly universal but also targeted) in order to achieve high standard services for everyone—according to the social investment paradigm, public resources should, to the extent that they are not clearly investments in human resources for the future, be limited to (presumably mainly means-tested) services that improve the immediate situation for those who are economically disadvantaged and/or who cannot afford the market prices for services.[9]

As mentioned above, some scholars have highlighted various viewpoints within the social investment perspective as well. For example, Mahon makes a distinction between the inclusive liberal version and the social democratic version of social investment, although she does not explicitly discuss how the two versions differ from each other when it comes to welfare services. One notable difference between the two different understandings of the social investment paradigm however has to do with the fact that the inclusive liberal version favours investments in human capital mainly via education (including early childhood education) and emphasises equity throughout the course of

7 Morel, Nathalie, Palier, Bruno & Palme, Joakim (eds) (2009) *What Future for Social Investment?* Stockholm: Institute for Future Studies Research Report; Jenson 2009, 37.

8 Jenson 2009; c.f. also Mahon 2012; Nygård & Krüger 2012.

9 Jenson 2009.

a person's life, while the social democratic version accepts a broader range of investments in human capital based on the idea of social protection for everyone and a concern for equality also in the present.[10] Thus, it seems as if the latter perspective would come fairly close to what has also traditionally been included within the Nordic welfare state model.

Although much emphasis has been put on the rights and duties, responsibilities, target groups, and so forth, of the social investment paradigm (see above), the paradigm is also about governance arrangements. As Jenson states 'Instruments of governance are not neutral tools; they import objectives into a programme as much as they translate policy goals'.[11]

According to Jenson, the Keynesian perspective on the preferred forms of governance is characterised by a 'Weberian hierarchical/bureaucratic' view, while the neoliberal perspective advocates 'corporate models and privatization'. The social investment perspective, in turn, favours 'networking and partnerships'.[12]

By using the concept of 'social investment', the advocates of this paradigm also try to create an image of successfully combining a 'more businesslike, market-friendly and dynamic entrepreneurial state' and one that '[is] more responsive to community needs and concerns' and which could make use of the advantages of local involvement.[13] However, this emphasis on decentralised service delivery and design is present also in the neoliberal paradigm, and, taken together, especially when it comes to the preferred governance arrangements, the social investment paradigm seems to resemble that of the neoliberal paradigm more than that of the Keynesian paradigm.

Finnish public sector reforms

The first wave of modernisation of Finnish welfare services, which took place as part of the creation of a modern Nordic-type welfare state, can be dated to the late 1960s and the early 1970s. The time period was characterised by a centralisation of welfare service: the state mainly used financial incentives to get the municipalities to develop their welfare services in accordance with national policy goals, with the aim of achieving a nationally more uniform

10 Mahon 2012, 4.

11 Jenson 2009, 37.

12 Jenson 2009, 39.

13 Jenson 2009, 35.

system of service provision. Even though municipal self-determination was not formally limited or altered, the financial incentives were substantial and it was regarded by the municipalities to be in their interest to follow the nationally laid out paths for modernising their services.[14]

In the 1980s and early 1990s, however, criticism, mainly at the local administrative level, against too centralised a service system with too few possibilities to take into account local needs and variations became pronounced. At the central government level, there was, in turn, a growing concern with the growth in welfare service expenditures (covered to a substantial degree by the state), and the whole idea of centralised government systems seemed rather outdated not only in Finland but in many other European countries as well. As in the case with the first wave of reforms, international, mainly Scandinavian, influences were notable regarding the developments.[15]As a consequence, in 1984 the so-called VALTAVA reform was launched, with the aim of reforming public services, e.g. through decentralisation. As a result of the criticism of centralised services, the State Subsidy Reform was also reformed (in 1993), replacing earmarked grants for various services with lump sum grants and allowing municipalities to buy services from private providers and to apply the principles of new public management more generally. In practice, the result was that the responsibility for and provision of welfare services became strongly decentralised.[16]

The recession in the 1990s, during which time state subsidies were severely cut, made it extremely difficult for municipalities to fulfil their obligations to provide sufficient welfare services.[17] The recent abandonment of earmarked state subsidies just before the recession made it considerably easier for the central government (in practice, this pertained first and foremost to the Ministry of Finance, which had been given an increasing influence within central government through the introduction of new budgetary rules)[18] to cut

14 Kroll, Christian (2004) 'Odemokratisk jämlikhet och orättvisa pålagor. Välfärdsservicen i svenska och finländska kommuntidningar 1985–2001'. In Blomberg, Helena, Kroll, Christian, Lundström, Tommy & Swärd, Hans (eds) *Sociala problem och socialpolitik i massmedier*. Lund: Studentlitteratur, 291–322; Kröger, Teppo (2011) 'Retuning the Nordic welfare municipality. Central regulation of social care under change in Finland'. *International Journal of Sociology and Social Policy*, Vol. 31, Issue 3/4, 148–159.

15 Blomberg, Helena & Kroll, Christian (1999) 'Who Wants to preserve the "Scandinavian service state?" Attitudes to welfare services among citizens and local government elites in Finland, 1992–6'. In Svallfors, Stefan & Taylor-Gooby, Peter (eds) *The End of the Welfare State? Public Attitudes to State Retrenchment*. London: Routledge, 52–86; Kröger 2011; Kroll 2003.

16 Kröger 2011, 151; Niemelä, Mikko & Saarinen, Arttu (2012) 'The role of ideas and institutional change in Finnish public sector reform'. *Policy and Politics*, Vol. 40, Issue 2, 171–9.

17 Blomberg & Kroll 1999; Kröger 2011.

18 Kantola & Kananen 2012.

the funding to the municipalities without being made directly responsible for the extensive cuts in local welfare services that were a more or less inevitable result of these cuts.[19]

Another key shift in the welfare service policies occurred with the introduction of the so-called PARAS project, launched in 2005 with the outspoken objective to restructure local government and enhance the municipalities' possibilities to provide adequate social and health services in a situation where research had pointed out severe shortcomings with respect to service delivery and substantial local variations in service standards. Other factors affecting the equation were the ageing of the population in general combined with the urbanisation process, which created various regional challenges. According to the project, this would require 'intact and functioning municipal structures, the arrangement of services for a broader population base, collaboration between municipalities on service arrangement and provision and new working practices'.[20]

The present local government reform processes have, however, been advancing rather slowly, not least when welfare service structures are concerned.[21]

The question remains of whether and to what extent the social investment paradigm has played a role in the reasoning of the central government administration in such a setting. Amidst this process of welfare service reform, one could assume that arguments related to this paradigm could be advanced – if the paradigm is considered important.

Material and analysis

The analyses below are based on a total of 118 editorials, debates, columns and interviews concerning reforms of the local government and municipal services in the magazine *Hallinto* during the period from January 2005 to December 2010.

Hallinto depicted itself as an 'expert magazine' with the aim of disseminating information regarding the development of governmental matters *within* public, mainly state-level, administration. The magazine has been published

19 Kröger 2011; Lehto, Markku (2005) *Takaisin tulevaisuuteen – valtion ja kuntien yhteinen taival.* Kunnallisalan kehittämissäätiön Polemia-sarjan julkaisu nro 56. Pole-Kuntatieto.

20 Niemelä & Saarinen 2012; Lag om en kommun- och servicestrukturreform, 169/2007.

21 Niemelä & Saarinen 2012.

for more than 50 years. Appearing six times a year, it was published jointly by the Ministry of Finance and the Ministry of the Interior until 2008. Thereafter, it was published solely by the Ministry of Finance until 2011, when it was replaced by the Ministry of Finance's Newsletters. The 'main' voices in *Hallinto* included leading civil servants, particularly from the Ministry of Finance and the Ministry of the Interior. Government ministers were also frequently interviewed, especially the minister of finance and the minister of the interior. Further, both academic experts as well as leading municipal administrators were interviewed and wrote pieces in *Hallinto*.

It is assumed here that the social investment paradigm is of importance for the reasoning provided by the central government and that it would be discussed openly in a magazine published by a branch of the central government, one which has the central task of addressing issues related to national economic development in general and state finances in particular. As stated in the introduction to this chapter, it has been claimed that the Ministry of Finance has become an increasingly central player in Finnish decision making and its relative power in relation to other ministries has become stronger due to, for example, changes in budget making rules.[22]

The method applied is deductive qualitative content analysis,[23] that is, a qualitative classification of the data on the basis of guidelines defined beforehand, in this case they concern the kinds of measures/reforms that are being suggested and the motivation for them. Special emphasis has been place on whether or not the suggested reforms and motivation for them include possible elements of the social investment paradigm concerning public services, as sketched out above: public spending is seen as an investment in human capital, one which enhances global competitiveness, spending on services is viewed as an investment in the future, and to the extent that it is not, publicly funded services for the economically disadvantaged are favoured; governance arrangements should be characterised by networking and partnerships, by a more businesslike public sector and by a focus on local needs and decentralised service design and delivery.

22 Kantola & Kananen 2012.

23 Esaiasson, Peter, Gilljam, Mikael, Oscarsson, Henrik & Wängnerud, Lena (2012) *Metodpraktikan: konsten att studera samhälle, individ och marknad*. 4 upplagan, Stockholm: Norstedts juridik.

Findings

The key idea/issue discussed in *Hallinto* is the need for a radical reform of local government (mainly through large municipal mergers). The magazine argues that municipal mergers are needed because only large local government units are able to improve the productivity of services, and thus to secure their future survival. Overall, the magazine claims that municipal mergers lead to improvements in cost-efficiency and the quality of services (aspects mentioned more often at the beginning of the time period being studied) and to an increased variety and a better productivity within public service provision. Over time, an increasing emphasis has been put on productivity. However, during the period in question the magazine also makes it clear that 'strong municipalities' alone are not sufficient for securing the future of public services. Large service (social welfare and health care) units or regions are also needed.

Also, the magazine frequently mentions aspects of equality as arguments for such a development: administrative reforms (municipal mergers and the centralisation of services/and overall larger local service units) are supposedly needed since equality cannot be realised under the present system due to local variations in the quality and/or accessibility of various services. The magazine does not discuss other potential measures (such as national regulations concerning eligibility criteria for staff or user fees) for evening out local variations in services. Thus, while citizens' social rights to equal basic services are emphasised in different statements, the idea that an investment in (some types of) welfare services can be regarded as an investment in human capital, and thus be a 'productivity factor' in the national economy, is not mentioned during the whole time period under study.

Thus, while there is a pronounced general concern for future economic development in connection with welfare services, the perspective seems to be limited to the development of the municipalities' economies: the economic resources of the often very small Finnish municipalities are not thought to be sufficient to provide services in the future if the local government structure is not reformed.

The above views are also criticized to a certain extent by academics and municipal-level elite representatives interviewed by the magazine. The criticisms are mainly from the perspective of municipal self-determination and the importance of local democracy. Moreover, these voices also point out that the prevailing market economy ideology has led to an ideal perception of the advantages of large local government units, while in reality small municipalities

may also be successful as economic units under certain favourable economic and administrative preconditions.

The criticism of the centralisation tendencies presented in the *Hallinto* magazine becomes rarer towards the end of the period. Also, arguments in favour of the relative 're-centralization' being promoted by the central government became more common. While experts often pointed out at the time of the launch of the PARAS project (in 2005) that municipal reforms should be the result of cooperation between municipalities and the central state, and that they should be carried out in a spirit of 'consensus', this type of argumentation decreases over time. Several years after the launch of the PARAS project, it has become rather clear that there is growing frustration within the central government concerning local self-government and municipal services. Voices in the magazine no longer refer much to *local* service conditions; instead, they now explicitly mention that municipal self-determination is problematic and a hindrance to the development of public (welfare) services. They clearly point out that the state has a responsibility to intervene in local-level problems (such as territorial inequality) when necessary. Overall, we can see a gradual return of the central state and its control mechanisms.

Many social investment scholars have also claimed that most European countries are today characterised by (or striving towards) 'governance' instead of traditional forms of government. The state and municipalities are not 'governing' directly; rather, they are governing through a process of collaborating with different actors or partners within networks (see the above sections). This is, however, not precisely the case with the argumentation provided in Hallinto, at least not when the state level is concerned. In fact, some of the leading ideas behind reforming the local services seem to be in sharp contrast with the social investment paradigm; some of the measures promoted seem to bear a close resemblance to traditional Nordic forms of governance, including centralised bureaucracies and hierarchical relationships of accountability.[24] In Hallinto, the central state is clearly aiming to still govern the municipalities, at least when it comes to the municipal structure, the service structure, the availability and quality of services, and more generally, issues of equality from a national perspective. On the other hand, when it comes to the central government's view on the role of the municipalities themselves, the picture is altered somewhat; the municipalities are supposed—in contrast to the state—to 'govern' not hierarchically, but in collaboration with and as parts of networks together with other partners. The municipalities are being urged

24 Jenson 2009, 38.

to develop new ways of producing services, and the magazine points out that collaboration between the municipalities, for-profit organisations and non-profit organisations is essential when reforming the service system/structure.

The municipalities are also called upon to become more businesslike. The idea of a more businesslike local government seems to be embedded in the argumentation in different ways. First, arguments in favour of large local government units and the positive effects of economies of scale concerning service production become more frequent over time and practically no alternative viewpoints are currently being introduced. The magazine claims that large units lead to, among other things, the possibility to organise, lead and produce services in an effective manner and also include elements such as competitive tendering of services. Second, the *marketisation* of public welfare services is an essential part of the argumentation. The magazine claims that municipal public services form an important market for enterprises, a market which is still not open for competition. At the end of the time period being studied, the suggested reforms are increasingly shifting towards promoting various marketisation ideas to an even greater extent, most notably concerning issues of tendering. The experts claim that the tendering of services is more effective than centralised steering because the process corrects mistakes and develops services 'by itself'.

Thus, much emphasis is put on discussing how the public sector should produce services. The material in *Hallinto* seems to reflect a certain annoyance at the central government level concerning what is regarded as a lack of understanding by the municipalities of the fact that the municipalities are not the only ones that can produce public services. This frustration is repeated time and time again: it is irrelevant in a changing world who produces public services at the state or local levels, since the most important issues, or goals, are whether the services are cost-efficient and qualitative (or whether the services are available at all). The 'slogan' that it is irrelevant who provides the services is also used in various other contexts in which territorial and service sector boundaries are discussed: the magazine emphasises that 'administrative and municipality boundaries must be broken', and that services can be produced, for instance, by surrounding municipalities or by joint municipalities.

Thus, and in contrast to what was above depicted as a characteristic of the social investment perspective, there are not many signs of a more 'responsive' public sector that is taking into account *community or local* needs and concerns. Instead, the focus is on (other) ideas that emphasise the individual as a consumer or client and his/her service needs.

Although scholars have claimed that the social investment paradigm emphasises social policy measures that would enhance competitiveness, it does not have to be understood in the sense it is used in *Hallinto*. Although competitiveness is mentioned in various connections in *Hallinto*, it does not seem to relate directly to the meaning given to it in the social investment paradigm, that is, social policy measures as a means of increasing national competitiveness (through the competitive capacity of its citizens). Instead, the magazine discusses the 'competitiveness' of municipalities (mainly in relation to each other): the municipalities are urged to merge to form municipalities that are economically stronger and that can compete with one another. Competitiveness is also mentioned when discussing the relationship between the state and the municipalities. Here, it is pointed out that the municipalities, and the public sector as a whole, should not compromise the competitiveness of the Finnish state or national economy as a whole.

In summary, on the basis of the arguments made in Hallinto there clearly seems to be a desire to regain central government control over service provision, reversing the far-reaching administrative reforms of the late 1980s and early 1990s, which increased municipalities' autonomy at the expense of state control over the organisation of welfare services. The decentralisation reforms of the early 1990s were based on a mixture of government concerns about service expenditure increases and municipal demands for more autonomy.[25] The centralisation reforms of the 2000s seem, in turn, to be based on a mixture of government concerns about service expenditure increases and the government's concern about 'too much' local autonomy. Government experts now claim that local autonomy has increased inequality between the inhabitants of different municipalities and, perhaps above all, has made it difficult to apply more cost-efficient and productive ways of administrating and producing services.

Discussion

The comparison of the ideas presented in Hallinto with previous research on reforming local government illustrates how strongly the pendulum once again has swung in Finland from a decentralisation of services to a centralisation of services. The change in this respect compared to the situation in the early

25 Kroll 2003; Kröger 2011; Lehto, Markku (2005) *Takaisin tulevaisuuteen – valtion ja kuntien yhteinen taival.* Kunnallisalan kehittämissäätiön Polemia-sarjan julkaisu nro 56. Pole-Kuntatieto.

1990s[26] seems dramatic; during the first half of the 1990s, experts hoped to achieve greater efficiency and productivity through decentralisation, but already ten years later this was dismissed as an outdated idea. Increased cost efficiency and productivity through centralisation and marketisation are clearly the core arguments behind the latest (suggested) administrative reforms. Scholars have proposed at least two different kinds of explanations for the latest shift: Bergmark and Minas[27] have put forward the idea that sudden shifts in how welfare services are organised might be caused by a development where certain core values are deeply threatened. Perhaps the centralisation of services could be regarded as a reaction against the ever-increasing territorial inequality with respect to the availability and quality of services, thus being in line mainly with the ideas of the traditional Nordic welfare state model. Another explanation might, however, be that the main goal of the central government now is a more businesslike and market-friendly welfare service system, one that would in practice require larger local government (or, at least service providing) entities than those that exist today. It is a fact that the experts who contribute to Hallinto frequently argue in favour of the latter idea and that this point of emphasis has become even stronger over time.

In any case, there is not much discussion concerning welfare services as an investment in human capital, a factor which would help improve economic performance and global competitiveness in the future. Furthermore, if the social investment perspective would function as a basis for the argumentation regarding service reform, one would expect that the emphasis would be on developing services as a way of investing in human and social capital, such as early childhood education and care,[28] maybe even at the expense of other services. No such notable pattern in the argumentation can be discerned, however.

All in all, the focus does not seem to be on the long term. Instead, the argumentation seems to be more in line with typical neoliberal views, according to which the focus is on the present 'so as not to hobble the future'.[29] Whether directly or indirectly, (especially publicly produced) welfare state services are seen more as a burden than as investments that will pay off in the future, and it is quite clear that the voices in the magazine are placing their trust in

26 Niemelä & Saarinen 2012.

27 Bergmark, Åke & Minas, Renate (2007) 'Decentraliserad välfärd eller medborgerliga rättigheter? Om omfördelning av makt och ansvar mellan stat och kommun'. *Socialvetenskaplig Tidskrift*, årgång 14, nummer 2–3, 220–241.

28 Jenson 2009, 39.

29 Ibid.

the advantages of market-based solutions in general and in welfare service production in particular. On the other hand, and somewhat paradoxically, there is a concern about the substantial and the growing inequality among those receiving services. Taken together, the view that emerges, according to which the creation of large service producing units that achieve a certain standard of effectiveness and quality through tendering and the extensive use of private service providers as a means of increasing equality in welfare service delivery, seems to some extent to be a Finnish interpretation of welfare service reform, one that differs both from the emphasis in other countries[30] and from the ideal models or paradigms, including also the social investment paradigm discussed above.

Also, when it comes to the social investment paradigm's view on governance, it seems that some of the central elements in the Finnish discussion are more or less incompatible with the paradigm. Jenson[31] discusses one of the central characteristics of the social investment paradigm as follows: "With their emphasis on community involvement and social development, the design of ECEC [early childhood education and care] often reinforces a more generational shift, pioneered under neoliberalism and continued into the present, towards decentralized service delivery and sometimes design". This is obviously not the case with the service ideas promoted in Hallinto (see the above discussion on creating substantially larger service units). One possible explanation for this might be the fact that the public sector in Finland has—in relative terms—a long tradition of being decentralised and the public sector reforms in the early 1990s made Finland even more decentralised.

On the whole, the ideas presented in *Hallinto* do not give the impression that the state's actions are primarily being guided by the social investment paradigm, in contrast to the argument made by many scholars. The question then is of course, whether the social investment perspective is less useful when trying to understand the reforms in Finnish welfare services than when trying to understand the recent changes in social security?

If the aim of the central government is to create, or at least to reflect, some kind of 'cognitive map' for the future of public services, it is in any case clear that the present-day model of taking into account local community needs and local services is not a part of the future vision that the government is promoting. The ways in which this discourse affects the views of the local

30 See Koskiaho, Briitta (2008) *Hyvinvointipalvelujen tavaratalossa. Palvelutalous ja sosiaalipolitiikka Englannissa, Ruotsissa ja Suomessa*. Tampere: Osuuskunta Vastapaino.

31 Jenson 2009, 35.

governments is beyond the scope of this chapter. The latest developments (in 2013) concerning the reforms to Finnish local government and services and the turbulence concerning the different reform suggestions, which can be seen in the public debate as well as in the resistance among municipalities to the mergers being put forward by the government — and in line with the reasoning in Hallinto — , however suggest that the principles guiding the reform of Finnish welfare services are far from being universally accepted.

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ECONOMIZING THE RELUCTANT WELFARE STATE

New rationales for child care in the United States in the 21st century

SONYA MICHEL

The United States, as is well known, has long been a welfare state laggard, relying largely on the market both to finance and provide the bulk of services in key policy areas and, as a result, producing vast inequalities in social citizenship. One of the most glaring gaps appears in child care, a policy domain in which the Nordic countries and France have famously taken the lead. While those countries have for decades offered universal, high-quality, state-funded and -organized provisions, the U.S., operating under ideological and political constraints, has developed a 'patchwork' of public, commercial, and voluntary services of varying quality, with the best generally reserved for those who can afford to pay the most. In recent years, however, new rationales for supporting public child care based on the economic benefits to be gained from an *investment in children* appear to be making headway, at least at the state and local, if not the federal level. Using such arguments, dozens of states and localities have since the mid-1990s increased their own funding for child care and also sought to engage 'the business community' in partnerships designed to expand and improve the quality of child care. As a result, while federal legislation and funding for child care and early childhood education have stagnated, some progress is being made at the subnational level, in both states and localities, and also in the voluntary sector.

What does child care say about a welfare state? Is it a marker for a larger political culture? As I have argued elsewhere,[1] the failure of the America welfare state to provide universal child care is not just a symptom of its liberal, neo-liberal, or residual character, but has in itself served as one of the building blocks of such a regime. Rationales for or, as has largely been the case, against creating a universal child care system tend to be specific to that policy realm but they also reflect the broader culture surrounding the American welfare

1 Michel, Sonya (1999) *Children's Interests / Mothers' Rights: The Shaping of America's Child Care Policy*. New Haven: Yale University Press.

state: a preference for bureaucratic minimalism, reliance on the family or the private sector for services of all types, and an acceptance of (or rationalization for) the inequalities that result.

While this culture has remained relatively constant in most areas of social policy (a notable recent exception is 'Obamacare', the president's effort to reform health care), the ground does seems to be shifting in the area of child care and the related field of early childhood education (ECEC), as economistic, productivist, or social investment/human capital arguments gain influence. Is this the key that will open the American social policy kingdom, and if so, at what cost to its liberal principles?

The heavy reliance on economistic rationales to promote social policies calls to mind patterns described by political scientist Jenny Andersson at the 2011 Nordwel Summer School in Sigtuna, and in her recent book, The Library and the Workshop.[2] In this work, Andersson deplores what she sees as a transformation of values in contemporary 'knowledge economies' from social and cultural to economic. Focusing on Sweden and the UK, she argues that Third Way politics has allowed for a reconciliation of sorts between the principles of traditional social democracy and the demands of economic progress. '[T]he knowledge economy,' she writes, 'provided a new progressive narrative around questions of social justice—because social exclusion and the unequal distribution of opportunity are understood as problems for human capital that is at a premium in the new economy.'[3] In a search for greater efficiency, Third Way politicians called for 'social investment'—investments in people—not, Andersson explains, 'to protect them from the market but… to give them skills and opportunities needed to succeed in the knowledge future. In particular,' she goes on, 'this applied to those…who can most easily be molded for the future'—that is, children.[4]

The Third Way is harmful for a social democracy like Sweden, in Andersson's view, because it erodes the country's basic values of social equality, democracy and solidarity and replaces them with those of efficiency, competitiveness and economic growth. Is a similar sort of displacement occurring in the U.S.? America's political culture is, of course, quite different from Sweden's and even that of the UK;[5]except for the policies emerging from the New Deal of

2 Andersson, Jenny (2010) *The Library and the Workshop: Social Democracy and Capitalism in the Knowledge Age*. Stanford, CA: Stanford University Press.

3 Ibid., 2.

4 Ibid., 118–19.

5 Cox, Robert (2004) 'The Path-Dependency of an Idea: Why Scandinavian Welfare States Remain Distinct,' *Social Policy and Administration* 38, no. 2 (2004): 204–19.

the 1930s (and that is, granted, a big 'except'), the U.S. has never embraced social democratic principles to the degree that Sweden, or even the UK, in its own fashion, have.[6] In that sense, one might say that the U.S. has much less to lose by following the Third Way. Indeed, one might argue, since liberal and then neo-liberal values have long been hegemonic in the U.S., social investment rationales should comport nicely with entrenched American political concerns and approaches. Perhaps they will add momentum to initiatives already underway and succeed in breaking some enduring policy stalemates. But do other, more classically liberal, values such as individual choice, autonomy, and dignity become vulnerable to the advance of economistic principles? Political philosopher Michael Sandel, in his recent book, *What Money Can't Buy: The Moral Limits of Markets*, thinks they do. 'Markets,' he writes, 'leave their mark on social norms' —even, I would add, in a liberal polity.[7]

Let's consider these issues by taking child care and early childhood education policy as an example. Resistance to establishing universal, state-sponsored ECEC in the United States draws on two ideological substrates: views of the family, and views of the role of government. Americans have long held the family as a realm apart, the last redoubt, if you will, against capitalism. Moreso than in the Nordic countries and perhaps even in the UK, Americans have regarded the family as the backbone of the private sphere, an institution to be protected from (and indeed seen as a corrective to) the predations of the market. Though hierarchically organized (for which it has been roundly criticized by feminists), the family has claimed credit as the realm in which individuals are to be cherished for themselves, not for any profit—any 'rentability,' to use one of Andersson's terms--they might offer.[8] To protect such relations, Americans are convinced, both the state and commerce must be kept out of the family. Such views have since the nineteenth century slowed or blocked advances in many areas of social policy. ECEC in particular has suffered from the idea that child care must be preserved as a private practice centered around the mother-child bond.[9]

6 Nor, for that matter, did it explicitly adopt the Third Way, though many trace its origins to the U.S., and Bill Clinton's policies have frequently been compared to those of his close contemporary, Tony Blair; see King, Desmond & Wickham-Jones, Mark (1999) 'From Clinton to Blair: The Democratic (Party) origins of Welfare to Work.' *Political Quarterly* 70, 1: 62–74.

7 Sandel, Michael (2012) *What Money Can't Buy: The Moral Limits of Markets*. New York: Farrar, Straus and Giroux, 64. But economic sociologist Viviana Zelizer cautions against positioning the realms of humanistic and economic values as 'hostile worlds'; see *Economic Lives: How Culture Shapes the Economy* (Princeton: Princeton University Press, 2010), 174.

8 Andersson 2010, 120.

9 Michel 1999, passim.

Enter social investment. As I noted at the outset, there is evidence that rationales based on this principle are beginning to make some headway, breaking through the protective barrier surrounding family prerogatives and opening a path for the expansion and improvement of child care through increased public spending and oversight. What are the benefits? What are the risks? I will consider these questions at the end of my paper. Before that I will present a very brief history of previous child care rationales in the U.S. (most of them unsuccessful) and then examine the current shift toward economism in the realm of early childhood education and care.

Child care ambivalence

From the early nineteenth through the early twentieth century, the U.S., like Canada and other industrializing countries in Europe, witnessed the rise of day nurseries—local, charitable institutions intended to care for children whose mothers, unable to depend on a male breadwinner (due to their absence, illness, disability or death), were compelled to work for wages outside the home.[10] Clearly intended as emergency or stop-gap measures, nurseries offered only custodial services and targeted a clientele that was largely poor and working-class; their maternalist supporters had no intention of using their charities to challenge the prevailing male-breadwinner ideal by enabling women to work outside the home on a regular basis. As a result, though nurseries eventually reached tens of thousands of families across the U.S., they failed to establish the basis for universal public services.

In the early twentieth century, day nurseries became increasingly stigmatized as professionalizing American social workers blamed maternal employment for weakening the mother-child bond and early childhood educators contrasted the meager services day nurseries were able to muster with the vaunted developmental benefits of newly founded kindergartens and nursery schools. While nursery schools gained support from the voluntary sector and kindergartens found a niche in the public school system, day nurseries became a kind of 'policy orphan'. The preferred option, for policymakers concerned with poor single mothers, was first state-based mothers' or widows' pensions and then, under the New Deal, federal Aid to Dependent Children – both measures designed to keep mothers in the home.

10 This section is based on ibid.

World War II accelerated the development of public child care services across Western Europe and North America, but postwar outcomes differed, depending on national contexts. This was a time when both Sweden and France regularized, improved, and increased public funding for a growing supply of child care, but in the U.S., public child care centers lost their federal support immediately after the war, causing most to shut down. When wage-earning mothers clamored to keep them open, government officials reminded them that public support for child care had been intended 'for the duration only.'[11] Maternal employment, however, did not disappear; after an initial dip, it continued to rise over the ensuing decades (the baby boom notwithstanding), but neither voluntary nor commercial child care could keep pace with the need for services.

From the 1960s on, U.S. child care policy was buffeted by two countervailing forces: second-wave feminism and the shift from welfare to workfare. Both called for child care to promote maternal employment, but with very different goals. While feminists saw it as a means to achieve gender equality, conservatives were bent on using it to stem the rising tide of welfare dependency, particularly among African Americans. Feminist demands for 'free universal 24-hour child care' made no headway in Congress, but a bipartisan consensus began to form around the idea that welfare recipients should be required to work. Although lawmakers acknowledged that child care would be needed to implement such a policy, they were reluctant to fund it adequately. As a result, the shift from welfare to 'workfare' proceeded in fits and starts. In 1996, however, with passage of the Personal Responsibility and Work Opportunity Reconciliation Act 'ending welfare as we know it,' work requirements tightened and funding for child care rose. But because it was linked to workfare, this new form of public child care once again failed to provide a basis for universal provisions.

Meanwhile, maternal employment was becoming the norm among American women of all classes, increasing demands for child care that were met by an expansion of non-profit and even more strikingly, private market services. The high cost of formal, center-based care, coupled with erratic quality and lax regulation, drove many parents to seek informal, family-based services for toddlers while leaving older children in 'self-care.' In recent years, dissatisfaction with limited hours as well as the level of quality of public care has prompted parents with sufficient resources to hire live-in nannies—many

11 Stoltzfus, Emilie (2006) *Citizen, Mother, Worker: Debating Public Responsibility for Child Care after the Second World War.* Chapel Hill: University of North Carolina Press; Fousekis, Natalie (2011) Demanding *Child Care: Women's Activism and the Politics of Welfare, 1940–1971*. Champaign: University of Illinois Press.

of them low-paid female migrants from the developing world. Because of what I have called a 'divided constituency,'[12] universal child care has subsided as a political issue, although the need remains – greater than ever.

Current rationales

In short, except during the 'emergency' of World War II, the most successful rationales for child care in the U.S., whether public or voluntary, have been associated with prevention of poverty. Arguments for gender equity, social justice, or child development – the kinds of rationales that have prevailed in the Nordic countries--or school readiness, a central purpose of France's child care policy, have never gained traction in American political culture. But as economistic rationales have gained sway in the U.S., beginning in the late 1990s, funding for public child care has increased and the number of slots has grown.

These rationales break down into several categories: direct benefits to the economy (child care as a business in its own right); direct benefits to parents (child care enables parents to work); indirect benefits to the economy (the ripple effect from parents' spent wages); benefits to business (reduced absenteeism and the long-term development of a skilled labor force); and economic benefits to society as a whole (lowering rates of social 'deviance'—crime, school failure, teen pregnancy reducing educational and other costs to taxpayers). Cost-benefit ratios have been estimated at anywhere between $2.62 and $14 saved for each dollar invested in early childhood interventions, and incalculable returns on the creation of a productive labor force for the future.[13]

Abundant evidence of this type of thinking may be found in the dozens of local and statewide studies of child care needs and provisions conducted since 1998,[14] as well as in the literature of many of the voluntary, non-profit organizations and projects dedicated to advancing child care and early childhood education and improving outcomes for poor and low-income

12 Michel 1999, chap. 7.

13 Jane Jenson and Denis St. Martin (in 'New Routes to Social Cohesion? Citizenship and the Social Investment State.' *Canadian Journal of Sociology* 28, 1 (Winter 2003): 77–99) note the future-oriented time arc of social investment policies; unlike many social policies, their benefits are not intended to be immediate, but to accrue and come to full fruition in the long term.

14 Much of the activity has taken the form of studies; indeed, it appears to have been a boon to the consulting and independent research community. So many have been conducted that Cornell University has set up a clearinghouse of sorts, 'Linking Economic Development with Child Care': http://government.cce.cornell.edu/doc/reports/childcare/matrix.asp. (Accessed January 2013)

children. A random sampling of these materials reveals that economistic rationales appear with far greater frequency than social justice arguments, whereas references to gender equity are virtually negligible.[15] These findings suggest that, at least in the realm of policymakers and social policy advocates, the idea of social investment has rapidly become hegemonic—at the expense of social justice and gender equity.

The origins of the social investment rationale

One of the foremost exponents of 'investment in children' is James Heckman, a Nobel-prize-winning economist from the University of Chicago. Over a decades-long career, Heckman's research has ranged widely, but one can follow the thread, through hundreds of publications, that led to his present interest.[16] In the 1970s he wrote about female labor force participation; in the 1980s about the relationship between skills and income; and in the 1990s, about the Coleman Report, a 1960s study which argued that high investment in K-12 education could not offset the cognitive deficits produced by early social and financial privation. But it was not until the 2000s that he zeroed in on the economics of 'human capital investment'—investment in young children—looking first at family influence on child development,[17] and then working out his productivity argument in a pair of working papers written with Dimitriy Masterov, a micro-economist from the University of Michigan,[18] and finally in a major article.[19] Building on this work, Heckman has in recent years turned

15 It is worth noting that while the economic rationale reprises some of the anti-poverty undergirding of nineteenth-century day nurseries, it couples such thinking with observations about the effects of services on the individuals themselves. That is, early childhood education and care do not simply benefit society by preventing crime, increasing high school graduation, and producing skilled workers, but they also benefit the children who participate, both at the time and in their future lives. The individual dimension is, however, far less prominent than the "collective good."

16 For a complete list, see Heckman's c.v. at: http://jenni.uchicago.edu/home_page/vitae.pdf. (Accessed January 2013)

17 See Carneiro, P.F., Cunha, F. & Heckman, J.J. (2003) 'Interpreting the Evidence of Family Influence on Child Development,' in *The Economics of Early Childhood Development: Lessons for Economic Policy* (Minneapolis: Federal Reserve Bank).

18 Heckman, James J & Masterov, Dimitriy V. (2004) 'The Productivity Argument for Investing in Young Children,' Working Paper 5, Invest in Kids Working Group (Washington, D.C.: Committee for Economic Development, October 2004); and Heckman & Masterov (2006) 'The Productivity Argument for Investing in Young Children,' Early Childhood Research Collaborative Discussion Paper, August 2006.

19 Heckman, James J. & Masterov, Dimitri V. (2007) 'The Productivity Argument for Investing in Young Children.' *Review of Agricultural Economics*, 2, 3: 446–493.

himself into a one-man institute, marketing 'The Heckman Equation' on his website.[20] Heckman's argument goes as follows:

> *Approximately 25% of children are now born into single parent homes. While the percentages of children living in poverty and born into poor families have fallen recently, they are still high, especially among certain subgroups. Adverse environments place children at risk for social and economic failure. The accident of birth plays a powerful role in determining adult success.*
>
> *We argue that, on productivity grounds, it makes sense to invest in young children from disadvantaged environments. Substantial evidence shows that these children are more likely to commit crime, have out-of-wedlock births, and drop out of school. Early interventions that partially remediate the effects of adverse environments can reverse some of the harm of disadvantage and have a high economic return. They benefit not only the children themselves, but also their children, as well as society at large….*
>
> *Investing in disadvantaged young children is a rare public policy with no equity-efficiency tradeoff. It reduces the inequality associated with the accident of birth and at the same time raises the productivity of society at large. Because of the dynamic nature of the skill formation process, remediating the effects of early disadvantages at later ages is often prohibitively costly. Skill begets skill; learning begets learning. Early disadvantage, if left untreated, leads to academic and social difficulties in later years. Advantages accumulate; so do disadvantages….[P] ostschool remediation programmes… cannot compensate for a childhood of neglect for most people….*
>
> *Growth in both the quantity and the quality of the labor force traditionally has been a major source of U.S. output growth. Given current trends, U.S. growth prospects are poor. Labor force growth is slowing, especially that of young and skilled workers who are a source of vitality*

20 Heckman: The Economics of Human Potential (n.d., http://www.heckmanequation.org/). Heckman, James. N.d. Website: The Economics of Human Potential. http://www.heckmanequation.org/. (Accessed January 2013)

> *for the entire economy. The composition of the future workforce will shift toward workers from relatively more dysfunctional families with commensurately worse skills….*[21]

> *At current levels of public support, America under-invests in the early years of its disadvantaged children. Redirecting funds toward the early years is a sound investment in the productivity and safety of American society, and also removes a powerful source of inequality….*[22]

It is important to note that Heckman specifically eschews social justice arguments: 'Many have commented on this phenomenon [the positive impact of early childhood intervention], and most analyses have cast the issue of assisting children from disadvantaged families as a question of fairness or social justice.' His argument, however, is based on 'productivity.'[23]

Despite such disclaimers, Heckman relies heavily on some of those very 'social justice' analyses to make his argument, including studies of the High/Scope Perry Preschool project, begun in the 1960s,[24] which became the foundation for Head Start; the Carolina Abecedarian Project;[25] and Chicago's Child-Parent Centers.[26] He also invokes the 1966 Coleman Report, which notoriously concluded that 'student background and socioeconomic status are much more important in determining educational outcomes than are measured differences in school resources (i.e. per pupil spending).'[27] These studies were already quite influential, but Heckman's insistence on mobilizing them for a purely economistic argument—one based on dollars and cents—shifted the policy discourse decisively.

Indeed, only a year after Heckman's first working paper appeared, the RAND Corporation published a major study entitled 'Early Childhood

21 Heckman & Masterov 2004, 446–9.

22 Ibid., 488).

23 Ibid., 446.

24 Schweinhart, Lawrence J. (2004) 'The High/Scope Perry Preschool Study Through Age 40: Summary, Conclusions, and Frequently Asked Questions.' Ypsilanti, MI: High/Scope Press, November 2004. www.highscope.org/Research/PerryProject/PerryAge40_SumWeb.pdf (Accessed January 2013)

25 Carolina Abecedarian Project, n.p., n.d.: http://projects.fpg.unc.edu/~abc/ (Accessed January 2013)

26 Reynolds, Arthur J. et al. (2001) 'Age 21 Cost-Benefit Analysis of the Title I Chicago Child-Parent Center Program,' Executive Summary. Waisman Center, University of Wisconsin-Madison.

27 Coleman, J. S. (1966) *Equality of Educational Opportunity*. Washington D.C.: U.S. Dept. of Health, Education, and Welfare, Office of Education. At the same time, differences in schools, and particularly teachers, have a very significant impact on student outcomes.

Interventions: Proven Results, Future Promise,'[28] which picked up on his central arguments. Notably, funding for this project came from the David and Lucille Packard Foundation as part of their 'Preschool for All' programme, indicating the breadth of Heckman's growing influence. The RAND report, which was based on a study of a one-year quality public preschool programme offered to children throughout the state of California (not just low-income children), placed a dollar amount on the benefits of early intervention: 'a one-year high-quality universal preschool programme is estimated to generate about $7,000 in net present value benefits per child for California society (public and private sectors….This equals a return of $2.62 for every dollar invested, or an annual rate of return of about 10 percent over a 60-year horizon.'[29] The report continued:

> *[B]enefits include lower intangible losses from crime and child abuse and neglect averted, reduced reliance on public welfare programmes, improved labor market outcomes for parents of preschoolers, improved health and wellbeing of preschool participants, and the intergenerational transmission of favorable benefits. Broader economic and noneconomic benefits are expected in other areas as well, including labor force recruitment and participation rates, workforce performance, economic growth, international competitiveness, and the distribution of economic and social well-being*.[30]

And it concluded:

> *Preschool has been scientifically demonstrated to generate a wide range of benefits, which can be conservatively valued as exceeding programme costs….[I]t is worth noting that these investments may have additional advantages over typical investments designed to promote economic development….[T]he net gains to government and society as a whole are not zero sum but constitute real benefits in terms of lower government outlays, a more skilled future workforce, and a more responsible future*

28 Karoly, Lynn, Kilburn, Rebecca & Cannon, Jill S. (2005) 'Early Childhood Interventions: Proven Results, Future Promise.' Santa Monica: RAND Corporation. (http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG341.pdf). (Accessed January 2013).

29 Ibid., 149).

30 Ibid., 116.)

> *citizenry. Moreover, these conclusions rest on scientific evidence that these outcomes are attributable to the investment in preschool education itself and would not occur under the status quo.*[31]

While the RAND study reached many politicians and policymakers, it was the publication of Heckman's 'productivity' article two years later (itself based on a major public lecture he had given earlier the same year) that launched the 'social investment' idea into the center of public discourse, where it has remained ever since.

Precursors

Although the 'Heckman Equation' made an enormous splash in the mid-2000s, his ideas, as I suggested above, were not entirely new. A reading of some of the earlier state-level studies of child care indicates that elements of the 'investment' rationale had been in the air for several years before Heckman's article and the RAND report appeared. These studies drew on the same research, starting with the Perry/High Scope Project and the Coleman Report, that Heckman would come to rely on,[32] and they too pointed to the savings to be realized through prevention of social deviancy. But while anticipating Heckman's argument about what might be called the 'productivity of prevention' in the future, these reports also focused on immediate benefits—to parents, in terms of employment income; to businesses, in the form of more productive workers; and to the economy more generally through child care as a form of business and the ripple effects of income spent.

Two of the earliest reports to deploy economistic rationales were prepared for Alameda County, California (home of Berkeley and Oakland, among other cities) in 1998 and 2002. The 2002 report pointed out that 'child care is a major industry in [the county] and has a significant economic impact. Over the past few years, the child care industry has experienced significant growth, particularly in its workforce.'[33] Between 1998 and 2001, the child care work force had increased by almost 15 percent, and the number of established child care businesses by over 4 percent. Meanwhile the number of child care spaces

31 Ibid., 2005, xxvii (my emphasis).

32 Indeed, the paucity of long-range research is one of the problems with this line of argument.

33 McCulley, Shelby & Upp, Stephanie (2002) 'The Economic Impact of Child Care in Alameda County [California]: A Growing Industry Supporting the Local Economy,' Alameda County Child Care Planning Council Report, December 2002, 4.

available went up by over 22 percent.[34] In addition, the report noted, 'child care supports and increases labor force participation among parents. The availability of convenient, high-quality care also increases worker productivity and decreases turnover rates,'[35] and produces 'long-term benefits to the community in the form of decreased future public sector costs in special education, crime, and welfare; improved school readiness, and a decline in welfare dependency.' But the report did not rely solely on economic rationales. It also made a social justice argument, pointing out that the 'generally held view that all children should have an equal chance at success helps justify support for child care on grounds of equity, as well as economics.'[36]

Using the 1998 Alameda County report as a model, the state of Vermont also conducted a survey in 2002, concluding that the child care industry 'contributes directly and indirectly to the state's economy,' not only by producing jobs for child care workers, but also by creating a ripple effect in the form of 'jobs supported by the goods and services that child care providers procure.'[37] Applying this formula, researchers found that child care yielded more that 7000 jobs in the state—nearly 5000 in the industry itself, and more than 2000 indirectly. 'For every $1 million spent on child care,' they reported, '35 jobs are created (24 direct, 11 indirect).'[38] All told, the child care industry was larger than three of Vermont's largest employers.

In addition, the report emphasized that child care allowed thousands more parents to hold jobs—nearly 37,500, employed by over 11,000 businesses. A majority of employers surveyed in the state linked child care with higher morale, reduced absenteeism, and reported increased productivity, while a third said it helped reduce turnover.[39] By the same token, parents reported that a lack of child care caused them to miss work, give up overtime opportunities (and pay), and lose focus on their work because of anxiety about how their children were doing.

Like the Alameda report, this one too claimed that 'society realizes long-term savings in areas of crime, welfare, tax and schooling by investing in high-quality early care and learning programmes,'[40] and as did others, it pointed

34 Ibid., 4.

35 Ibid., 5.

36 Ibid., 6.

37 Windham Child Care Association Windham Child Care Association and [Vermont] Peace and Justice Center, 'The Economic Impact of Vermont's Child Care Industry,' n.p., June 2002, 1.

38 Ibid., 1.

39 Ibid., 2.

40 Ibid.

to the handful of studies of experimental projects as evidence of the value of early childhood intervention. While conceding that this research did not 'shed light on children's well-being throughout adulthood,' the Vermonters noted, 'the findings do underscore the positive foundation that high-quality early care and education lays in a child's life.' Participants 'were shown to have significantly higher math and reading scores, lower grade-retention rates, higher high school completion rates and significantly lower rates of juvenile arrests than children not in the programme.'[41]

The Vermont report used these findings to make a plea for high-quality early care, which would entail, among other things, raising wages and improving benefits for child care workers. Those at licensed centers were earning minimum wage but less than short-order cooks and stock clerks at the time, while those who ran their own family-based services were in effect earning less than minimum wage and had to rely on a means-tested programme for health care.[42] Pointing to the benefits for business, the report looked to that sector for financial assistance.

Alaska, by contrast, preferred to fund its public child care by using state monies to draw down federal matching funds (at a very favorable ratio) for programmes targeted to low-income children. In FY 2005, the combined federal and state spending for early education and child care in the state reached approximately $88 million, of which the state's share was only about 15 percent ($13 million).[43] A report on the 'Economic Impact of Early Education and Child Care in Alaska' found that the impact of child care industry was similar to that in Vermont. Moreover, it enumerated (citing the usual sources) the usual benefits from early intervention: 'increased earnings capacity projected from higher educational attainment along with higher taxes paid from better paying jobs, lower criminal justice system costs, reduced welfare costs, and savings on school remedial services budgets.'[44]

Similar arguments found their way into the rhetoric of the Harlem Children's Zone, the nation's best-known non-profit comprehensive educational project for poor children. Seeking to 'change the odds' and 'end the cycle of generational

41 Ibid., 6.

42 Ibid.

43 McDowell Group, 'Economic Impact of Early Education and Child Care Services in Alaska.' Final Report, prepared for System for Early Education Development (SEED), University of Alaska Southeast, n.p., July2006, 1. http://dhss.alaska.gov/dpa/Documents/dpa/programs/ccare/files/EconomicImpactFinalReport.pdf (Accessed January 2013).

44 Ibid., 2.

poverty by addressing the needs of the entire community,'[45] HCZ currently offers a range of social as well as educational services for children from 'cradle to college'—offerings so broad and ambitious that they make Heckman's call for early intervention appear quite modest by comparison.[46]

In a white paper, HCZ notes that 'poverty now costs the U.S. about 4% of its gross domestic product annually in lost production, decreased economic output, and increased social expenditures….As today's poor children enter tomorrow's economy, under-educated and ill-prepared, the cost to America's future competitiveness in the world marketplace is incalculable….[T]he U.S. needs to build a workforce in which all of its members can contribute the full measure of their talents and skills.'[47] Citing the usual litany of the negative consequences of poor education and lack of early interventions, the paper points out that

> *[t]axpayers pay a high price when they skimp on the cost of preventive programmes for children or, worse, fail to provide for those programmes at all. For example, the government spends more than $42 million incarcerating a number of residents who live within the HCZ Project. The cost of locking up one young person in the New York juvenile justice system for a year is more than $200,000. With that same $200,000, HCZ could provide 50–60 young people with programmes that will help prevent them from going to jail.*[48]

A cost-benefit analysis of the cost-benefit rationale

At first blush, the social investment rationale might appear to be a welcome addition to the ECEC advocate's rhetorical quiver. In addition to addressing vexing problems such as crime and teen pregnancy, it resonates with

45 Harlem Children's Zone (HCZ), 'Whatever It Takes: A White Paper on the Harlem Children's Zone,' n.d. (no earlier than 2008), 1 (my italics):http://www.hcz.org/images/stories/HCZ%20White%20Paper.pdf (Accessed January 2013).

46 A voluntary project with a $75 million annual budget supported by a host of grants as well as individual contributions, HCZ's roots lie in a series of small projects dealing with Harlem children, such as an anti-truancy programme, begun in the early1970s. By the early 1990, these had morphed into a pilot multi-service project, and in 1997, the permanent project was launched. Ten years later it was serving a 100-square-block area in 1997, with 8,000 children and 4,000 adults (http://www.hcz.org/about-us/history). (Accessed January 2013).

47 HCZ 'Whatever It Takes,' 8.

48 Ibid.

contemporary policy objectives such as efficient use of resources, accountability, and measurable outcomes – objectives that have become prevalent in other policy domains as well.[49] As such, it might well lead to provisions that are high-quality, affordable, and widely if not universally available. So what are the downsides?

There are, it turns out, quite a few, and they can be divided into several categories: practical/programmatic; social, political, and, for want of a better word, philosophical.

PRACTICAL/PROGRAMMATIC:

Social-investment-driven programmes are likely to be targeted at poor and low-income children rather than universal, not only because they are costly and thus must be rationed, but also because the cost-benefit ratios of targeted programmes strike policymakers as a more efficient use of resources. As the RAND study points out, however, such programmes can be administratively cumbersome. The difficulties include

> *administrative costs of determining eligibility and addressing changes in eligibility over time, stigma associated with participation, unavoidability of missing some children who could benefit but do not meet the criteria or are confused about eligibility rules. Universal programmes avoid these problems and allow children to participate in economically integrated programmes [which many educators see as beneficial in themselves—SM].*[50]

In addition, programmes that are primarily developmental (whether cognitively-, socially-, or psychologically-oriented) are unlikely to work well as child care. They may have limited hours and/or calendars, thus denying adequate coverage to parents who work full-time/full-year; they may accept children only for the pre-school years (ages three to five), thereby excluding younger children who need services; and they may be limited to a single year for each child because of scarce resources.[51] Finally, programmes that are heavily

49 Such rationales have, for example, become all-pervasive in the realm of higher education, with its emphasis on 'learning outcomes assessment,' 'entrepreneurship training' and career-oriented curricula. For one critique, see Delbanco, Andrew (2012) *College: What It Was, Is, and Should Be*. Princeton: Princeton University Press.

50 Karoly et al. 2005, xxxviii.

51 Ibid. The RAND study contends that because a second year of the programme is not as cost-effective as the first, programmes should be limited to one year if adequate funding for two years is not available.

focused on children may overlook parents' need for support, except insofar as it affects children. Indeed, parents in general and mothers in particular are seldom mentioned by either Heckman or the state reports, except as pathologized single household heads (lone mothers) caring inadequately for their children.[52]

SOCIAL:

RAND notes in passing that participation in targeted programmes is more likely to be stigmatizing than participating in universal ones. The social investment rationale, I would argue, only intensifies that effect. Whereas children's causes tend to be generally popular (the term 'poster child' did not arise from nowhere), the social investment rationale squanders that advantage by implying that most poor children are potential criminal offenders or social deviants. This in turn provides justification for programmes to intervene deeply into the private lives of poor families, challenging their status as privileged domains (although scholars like Dorothy Roberts would argue that poor people, especially minorities, have seldom enjoyed that status).[53] The fact that targeted child care is often associated with workfare stigmatizes it even further.

POLITICAL:

The stigmatizing tendency of targeted programmes also weakens them politically. As Theda Skocpol (I think it was she) once famously quipped, 'Policy for the poor makes for poor policy.' The authors of the RAND study would agree: 'Political support may also be stronger for programmes available to all children, and they may be more likely to be funded at the level required for high quality.'[54]

Moreover, targeting programmes may, intentionally or not, alienate potential allies. As the social investment proposition fills the policy space available, it displaces not only feminist and social justice rationales for child care (which have been, admittedly, political non-starters), but also those addressing the needs of the middle class. Mildred Warner, a professor of regional and city planning at Cornell University, expresses her concerns on this point thus:

52 The Harlem Children's Zone would be the exception here; HCZ targets parents virtually from the moment of conception with its 'Baby College' programme; see http://www.hcz.org/images/stories/pdfs/ali_summerfall2002.pdf. (Accessed January 2013).

53 Roberts, Dorothy (2003) *Shattered Bonds: The Color of Child Welfare*. New York: Basic Civitas Books.

54 Karoly et al 2005, xxxviii.

> *Child care is now being recognized as part of the social infrastructure for economic development….Just as roads and public transit help people get to work, so does child care. But public subsidies for highways and transit allow the user to pay only a small portion of the total costs. In contrast, parents shoulder the primary financial burden for child care. Public support is largely limited to children of low-income families (for example, the Head Start programme or child care subsidies developed as part of the 1996 welfare reform effort). For the vast majority of working parents, there is no public support beyond the dependent care tax credit, which for most families averages only a few hundred dollars a year.*[55]

Two feminist economists, Suzanne Helburn and Barbara Bergmann, share Warner's concerns, but they chose a different tack to advocate for services for the middle class. In their 2003 book, *America's Care Problem: The Way Out*, they assert that child care is a women's right; thus 'anything that increases the social pressure for having children cared for full time by their own mothers…is a step back in the direction of different roles for women and men.'[56] Nonetheless, hedging their bets, they also give a nod to the 'positive social externalities' and the 'productivity and full citizenship of the children [that child care] serves in the long term.'[57] In their view, child care should be a 'merit good,' one provided to all citizens regardless of the ability or willingngess of consumers to pay for it.[58]

PHILOSOPHICAL:

Moving to the level of political culture, one can see how the social investment rationale would play into the corrosive trend that both Andersson and Sandel deplore—the displacement of social values by the market.[59] This becomes apparent when we zero in on the specific context in which this rationale emerged: welfare reform. It is not coincidental that social-investment-driven proposals for targeted early childhood interventions arrived close on the heels

55 Warner, M. E., Ribeiro, R., & Smith, A.E. (2003) 'Addressing the affordability gap: Framing child care as economic development.' *Journal of Affordable Housing and Community Development Law* 12, no. 3, 294–313.

56 Helburn, Suzanne & Bergmann, Barbara (2003) *America's Child Care Problem: The Way Out.* New York: Palgrave Macmillan, 51.

57 Ibid., 153.

58 Ibid., 167. Here they are arguing against economist David Blau, who claimed in *The Child Care Problem: An Economic Analysis* (New York: Russell Sage Foundation, 2001) that the reason much child care is low in quality is because parents are unwilling to pay for better-quality services.

59 Andersson 2010; Sandel 2012.

of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), with its mandatory work programmes for welfare recipients. PRWORA is not only a productivist policy but one that, in the view of some feminists,[60] effectively devalues poor parents' child caring by denying them the right to choose it over paid employment.

To be sure, not all feminists agree that this is a problem. Some self-appointed advocates for poor women not only endorse PRWORA but do so in economistic language. Take, for example, this statement from the American Psychological Association's Task Force on Women, Poverty, and Social Assistance:

> *We come from a position that emphasizes a human capital approach. Such an approach focuses on investment in the education, training, and productive skills of our national work force, an investment that is also extended to poor women. This approach is not antithetical to a work first approach if flexible and comprehensive services, supportive infrastructure, and opportunities for continuing education and training are made an integral part of the employment emphasis.*[61]

While probably intended to signal some regard for poor women, the references to support and education cannot paper over the Task Force's acceptance of the premise that the labor power of poor mothers, like everyone else's, must be harnessed to the national goal of economic progress. Productivity, not having the choice to care for one's children, is the priority.

Although the jury is still out, workfare seems to have fallen short of policymakers' goals for many reasons, not least the recession.[62] But even in a more robust economy, poorly educated, low-skilled women are seldom able to land jobs that pay a living or family wage. Thus employment by itself cannot serve them as an avenue out of poverty. In this sense, the failure of workfare sets the stage for the Heckman Equation. A reduction in welfare dependency

60 See, for example, Mink, Wendy (2002) *Welfare's End*. Ithaca, NY: Cornell University Press, and Roberts 2003.

61 American Psychological Association (APA), Task Force on Women, Poverty, and Public Assistance. N.D. (no earlier than 1997). "Making 'welfare to work' really work: Improving welfare reform for poor women, families and children," preface: http://www.apa.org/pi/women/programs/poverty/welfare-to-work.aspx. (Accessed January 2013).

62 Cancian, Maria et al. (2000) 'Before and After TANF: The Economic Well-Being of Women Leaving Welfare.' Special Report No. 77, Institute for Poverty Research, School of Social Work, University of Wisconsin-Madison. May 2000: http://www.ssc.wisc.edu/irpweb/publications/sr/pdfs/sr77.pdf; Parrott, Sharon & Sherman, Arloc (2006) 'TANF at 10: Program Results are More Mixed than Often Understood, ' Washington, DC: Center on Budget and Policy Priorities, August 17. 2006: http://www.cbpp.org/cms/?fa=view&id=600. (Accessed January 2013).

appears in most of the state reports as one of the long-term goals of early childhood intervention, but it is not unreasonable to speculate that many policymakers, seeing the current lay of the economic land, have simply given up on turning the present cohort of poor adults into productive workers and decided that it makes more sense to focus on their children, even if the results will not be apparent for many years.

Why is this a problem? Why should poor children be denied access to quality early childhood education and care simply because it is framed in terms of social investment? Because the goal is far too instrumental; there is a quid pro quo involved. In this scenario, the state provides ECEC not because every child has a right to it,[63] much less because it would uphold the principles of gender equality or social justice, but in order to lower rates of crime and social deviancy and ensure the creation of future cohorts of skilled, productive workers. There is no mention here of liberal values such as individual development or the fulfillment of each child's potential, whatever that might be. The Heckman Equation explicitly dismisses such rationales, claiming instead that preventing pathology and ensuring future productivity are the only legitimate measures of the efficacy of policies for children.

The Heckman Equation is eerily reminiscent of the weary, regimented lines of industrial workers depicted in Fritz Lang's 1931 dystopian film *Metropolis*. They, of course, were adults; Heckman and his colleagues would have us start preparing their modern-day equivalents in pre-school, turning ECEC into primary vocational education. In 1972, when Richard Nixon vetoed the Comprehensive Child Development Act, he sought to deflect two fears about child care then being expressed by the right: encroachment on the family, and the fear of 'Sovietizing' American children.[64] Ironically, these fears may now be realized, but this time the threat is coming from the right rather than the left, as the dollar hand comes down on individualism in the velvet glove of early childhood education and care.

Finally, returning to Sandel's concerns, let us consider what kind of mark the social investment rationale leaves on American social norms. 'Sometimes,' he writes, 'market values crowd out nonmarket values worth caring about.'[65] As just noted, the social investment rationale certainly rides roughshod over values such as individualism and freedom of choice—values that liberals care

63 Cf. the UN's Millennial Goals; http://www.un.org/millenniumgoals/education.shtml, of which Goal 2 is universal primary education. (Accessed January 2013).

64 Michel 1999, 151–2.

65 Sandel 2012, 9.

about and policymakers must protect for young children, since they cannot do it themselves. Moreover, while stigmatizing and instrumentalizing the poor, this rationale appeals rather baldly to the self-interest of the middle class—the taxpayers—by assuring them that investment in ECEC will protect them from the harm and expense of crime and social deviancy. Such a strategy degrades social politics and widens the gap in an already class-divided polity. Perhaps this is the moment to invoke those poster children once again. This time, the slogan will be: Children are not human capital—they are human.

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